
**APPRAISAL OF THE PROPERTY OF
THE AMERICAN LEGION, DEPARTMENT OF MARYLAND,
COOK-PINKNEY POST NO. 141
PURCHASE ORDER NUMBER 20181251-01
1707 FOREST DRIVE
SIXTH ASSESSMENT DISTRICT
ANNE ARUNDEL COUNTY
ANNAPOLIS, MARYLAND 21401**

Prepared for

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

*As of June 12, 2018
Prepared on July 6, 2018*

Prepared by

*Antoinette Wineholt, MAI
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Post Office Box 732
Severna Park, Maryland 21146-0732*

THE WINEHOLT GROUP, INC.

Real Estate Appraisers & Consultants

July 6, 2018

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

Re: 1707 Forest Drive, Annapolis, Maryland 21401

Dear Mr. Snyder:

At your request, I have made an appraisal of the above-captioned property for the purpose of estimating the compensation due the property owner for a partial acquisition of the supporting site. An appraisal report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice (USPAP)* and presents summary discussions of data, reasoning and analysis that were used in the appraisal process to develop the opinion of value. The appraisal is to be used by Annapolis city government as an estimate of the current market value of the subject property in negotiating a possible acquisition of a portion of the property.

The subject property is identified on Anne Arundel County Tax Map 51E, Block 17 as Parcel 1756 in the Sixth Assessment District. The property contains a supporting land area of 2.12 acres based on the deed description that is residentially zoned. An area of approximately 11,311 square feet is to be acquired from the parcel for the possible extension of a roadway across the parcel. The subject site is improved with a one story fraternal building that contains an area of approximately 6,248 square feet based on the assessment record for the property. No interior inspection was made of the existing improvement.

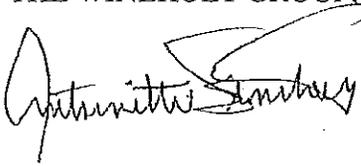
As a result of this appraisal, subject to the underlying assumptions and contingent conditions contained within this report, it is my opinion that the compensation due the property owner for the proposed acquisition, as presently existing, as of June 12, 2018, the date of the inspection, is estimated as **TWO HUNDRED SIXTEEN THOUSAND DOLLARS (\$216,000)**.

Transmittal Letter
1707 Forest Drive
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Data, analyses, computations and conclusions upon which this estimate of value are based is contained in the annexed appraisal report together with exhibits. This appraisal should be considered together with the statement of conditions and assumptions enumerated later in this report.

Please contact me if you have any questions or comments. Thank you for the opportunity to be of service.

Respectfully submitted,
THE WINEHOLT GROUP, INC.

A handwritten signature in black ink, appearing to read "Antoinette Wineholt". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Antoinette Wineholt, MAI
Certified General Appraiser
Maryland License 04-220

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***Section A:
Introduction***

UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS

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

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 value estimate contained in this report is 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 appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser; however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for 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, then any estimate of value may need to be qualified or amended.

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 appraiser, by reason of this appraisal, is 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 identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
16. Any value estimate provided in the report applies 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. No in-depth inspection was made of the plumbing (including well and septic), electrical, or heating systems. The appraiser cannot warrant the adequacy/inadequacy of these systems.
18. The appraisal was prepared by the appraiser for the exclusive use of the client. The information and opinions contained in this appraisal set forth the appraiser's 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 appraiser accepts 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. To my knowledge, a Phase I environmental site assessment (ESA) had not been conducted on the subject property as of the date of value. The presence of environmental contamination may significantly impact the value estimate for the subject property. Because of the lack of a Phase I ESA, the property is appraised contingent on there being no existing environmental hazards. If subsequent information indicates that this assumption is incorrect, then this appraisal and any estimate of value contained herein may need to be qualified or amended.
20. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any value opinion based upon any subsequent environmental impact studies, research or investigation.

21. It is an assumption of this report that the soils are capable of supporting development on the subject property. If subsequent information is obtained indicating that this assumption is incorrect, then this appraisal and any estimate of value may need to be qualified or amended.
22. The area of the proposed acquisition is projected at a total of 11,311 square feet and is assumed correct. If subsequent information is obtained indicating that the actual size of the proposed acquisition differs substantially from the area included in this report, then this appraisal and any estimate of value may need to be amended or qualified.
23. Because of the original construction date and age of the existing improvement, there is a likelihood of the presence of lead paint, possible asbestos-containing materials and/or lead plumbing solder. No environmental survey has been made of the subject property for hazardous materials and I recommend an inspection by qualified professionals specializing in hazardous materials, if desired.
24. At the direction of the client, the property owner was not conducted in the course of completing this appraisal. In addition, no interior inspection was conducted of the subject improvement. Therefore, the value of the improvement is based on the full cash value for the building included in the assessment record for the property. As the existing building is not affected by the proposed acquisition, a value is assigned to the improvement based on the assessed value and will remain unchanged in the before and after situations. The assignment of value to the improvement is not to be considered a valuation of the entire property, as presently improved.

SUMMARY OF IMPORTANT CONCLUSIONS

LOCATION	1707 Forest Drive; Anne Arundel County Tax Map 51I, Block 17 as Parcel 1756 in the Sixth Assessment District; Annapolis, Maryland 21401
OWNER OF RECORD	The American Legion, Department of Maryland, Cook-Pinkney Post No. 141
LAND AREA	2.12 acres or 92,347 square feet based on the deed description
IMPROVEMENTS	The property is presently improved with a one story fraternal building that contains an enclosed area of 6,248 square feet based on the assessment record for the parcel.
ZONING	R3, General Residence District (Annapolis, Maryland)
HIGHEST & BEST USE	Residential development as permitted by the current zoning
PROPERTY RIGHTS APPRAISED	Fee simple estate
EFFECTIVE DATE	June 12, 2018
VALUE OF ACQUISITION	\$216,000
EXPOSURE TIME	Not longer than one year at the appraised value for the subject property, as presently existing

***Section B:
Factual Description***

PROPERTY IDENTIFICATION

The subject property is identified on Anne Arundel County Tax Map 51I, Block 17 as Parcel 1756 in the Sixth Assessment District. A copy of the tax map showing the approximate location of the subject property is included on the following page. The property is within census tract 7025 and falls within the 21401, Annapolis zip code area.

PURPOSE OF APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property, as presently existing, and after a proposed acquisition by the city of Annapolis and as of the effective date. I am competent to complete this assignment in accordance with the Competency Provision of the Uniform Standards of Professional Appraisal Practice.

INTENDED USER AND USE OF APPRAISAL

The appraisal is to be used as an estimate of the compensation due the property owner to assist the client, Annapolis city government, in negotiating a possible acquisition of a portion of the property.

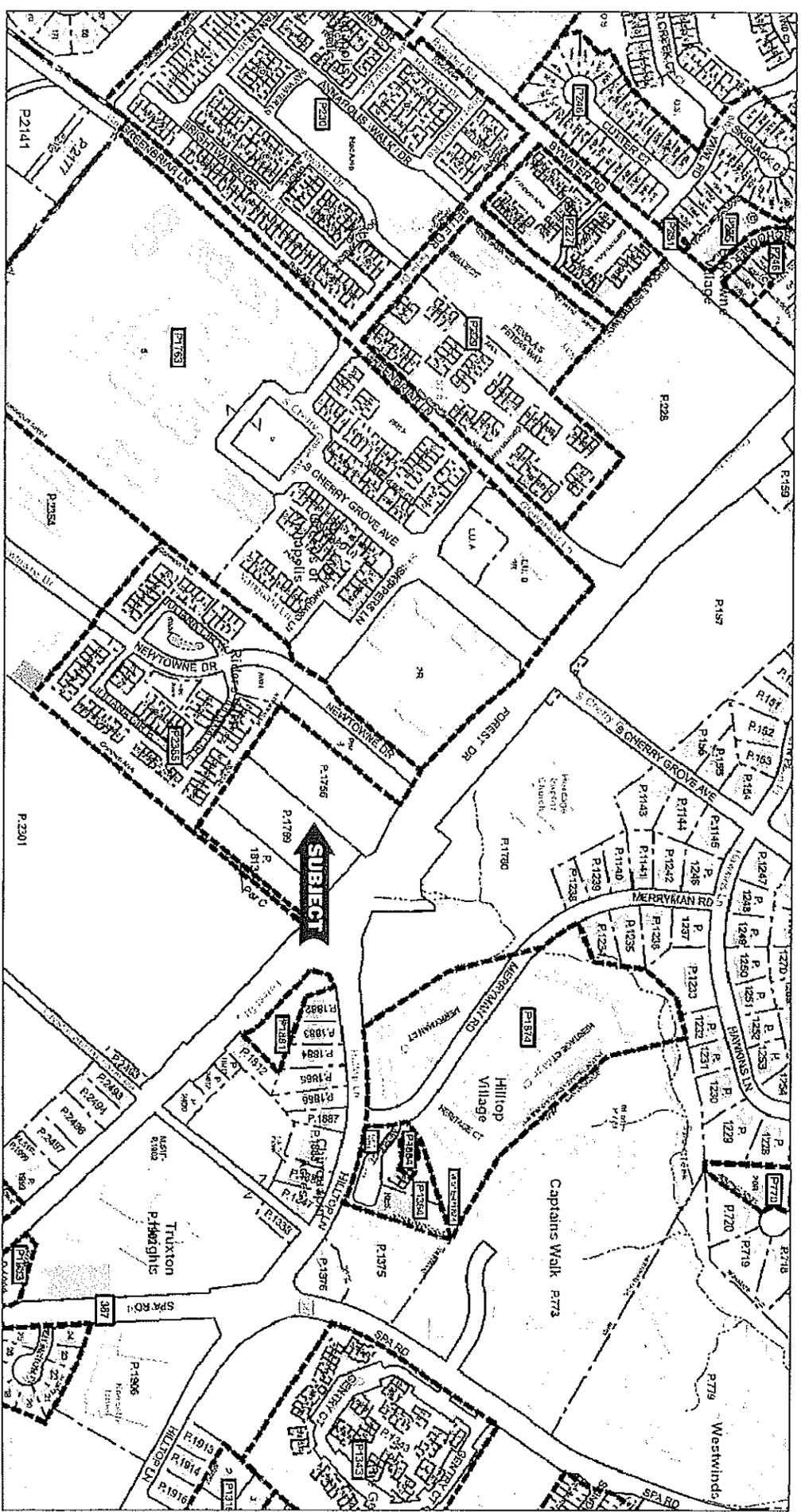
SCOPE OF THE APPRAISAL

The scope of this appraisal included a physical inspection of the subject site, the exterior of the existing improvement, as well as the surrounding neighborhood. Demographic statistics were obtained from the *Site to Do Business Online (STDBOnline)*. The most recent deed to the subject was reviewed to determine the parties to the transaction, date and purchase price. The description of the existing improvement is based on the visual inspection, as architectural drawings are not available, with the size based on the area included in the assessment record for the property. The size and configuration of the proposed acquisition is based on information provided by the city of Annapolis. Factual data including the zoning of the property, assessment information, census tract designation and the availability of public utilities was obtained from the appropriate government sources.

The purpose of this appraisal is to estimate the compensation due the property owner for a proposed acquisition of a portion of the subject property. Therefore, the subject is valued based on a before and after analysis that measures the value of the property before the acquisition and after the acquisition. In estimating the value of the subject property, the underlying land is valued based on an analysis of comparable sales. As the existing improvement is not affected by the acquisition, the full cash value of the building is added for a total value of the property before the acquisition. In the after situation, the same sales are considered in valuing the site with the improvement value added based on the assessment record for the building. The difference between the before and after values reflects the compensation due the owner for the proposed acquisition.

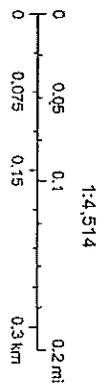
The subject property is not valued by the cost approach, as the existing improvement is not affected by the proposed acquisition. The subject property is not valued by the income capitalization approach as similar properties are typically owner occupied and not purchased for the income generated from leasing the land and/or building.

Parcel Viewer Map



June 29, 2018

County Boundaries



MD MAPS APPS
 Source: Esri, HERE, Garmin, Intermap, P Corp., GEBCO, USGS, FAO, NPS, NCA, GEBCO, IGN, Swire, Fugro, Aero, NHTL, Esri, The GIS User Community

In the course of completing this appraisal, sources knowledgeable in the local and regional real estate markets were interviewed to project probable trends regarding residential, retail, office, institutional and industrial properties. Private publications (investment and real estate trade journals) were consulted as supplemental sources in providing information on general market perspectives and trends.

In addition to typical source material concerning local and regional economic and real estate conditions, several publications providing information specific to commercial, industrial and/or residential markets were also consulted. Private publications (investment and real estate trade journals) were consulted as supplemental sources in providing information on general market perspectives and trends. Sources knowledgeable in the local real estate market were interviewed to project probable trends regarding the sale of improved and unimproved residential, commercial and industrial properties. Several national real estate investment reports, *The Real Estate Report*, published by RERC, and the *PwC Real Estate Investor Survey*, a survey published by PriceWaterhouseCoopers, were also reviewed to obtain information regarding marketing periods and return requirements. Vacancy rates were obtained from publications prepared by Transwestern, MacKenzie, Cushman & Wakefield and CB Richard Ellis, all commercial brokerage firms, CoStar, a national database of commercial properties, in addition to a visual inspection of area properties.

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

DEFINITIONS OF VALUE

Market Value is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently 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.

(12 C.F.R. Part 34.42 (g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

Market Value, as is, is defined in the regulatory guidelines as:

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, qualifications as of the date the appraisal is prepared.

PROPERTY RIGHTS APPRAISED

The property rights appraised consist of the fee simple estate, defined in *The Dictionary of Real Estate Appraisal* (Sixth Edition, page 90, 2015), as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

DATE OF INSPECTION AND EFFECTIVE DATE OF APPRAISAL

The subject property was most recently inspected and photographed on June 12, 2018; this date is considered the effective date of this appraisal for the property, as presently existing.

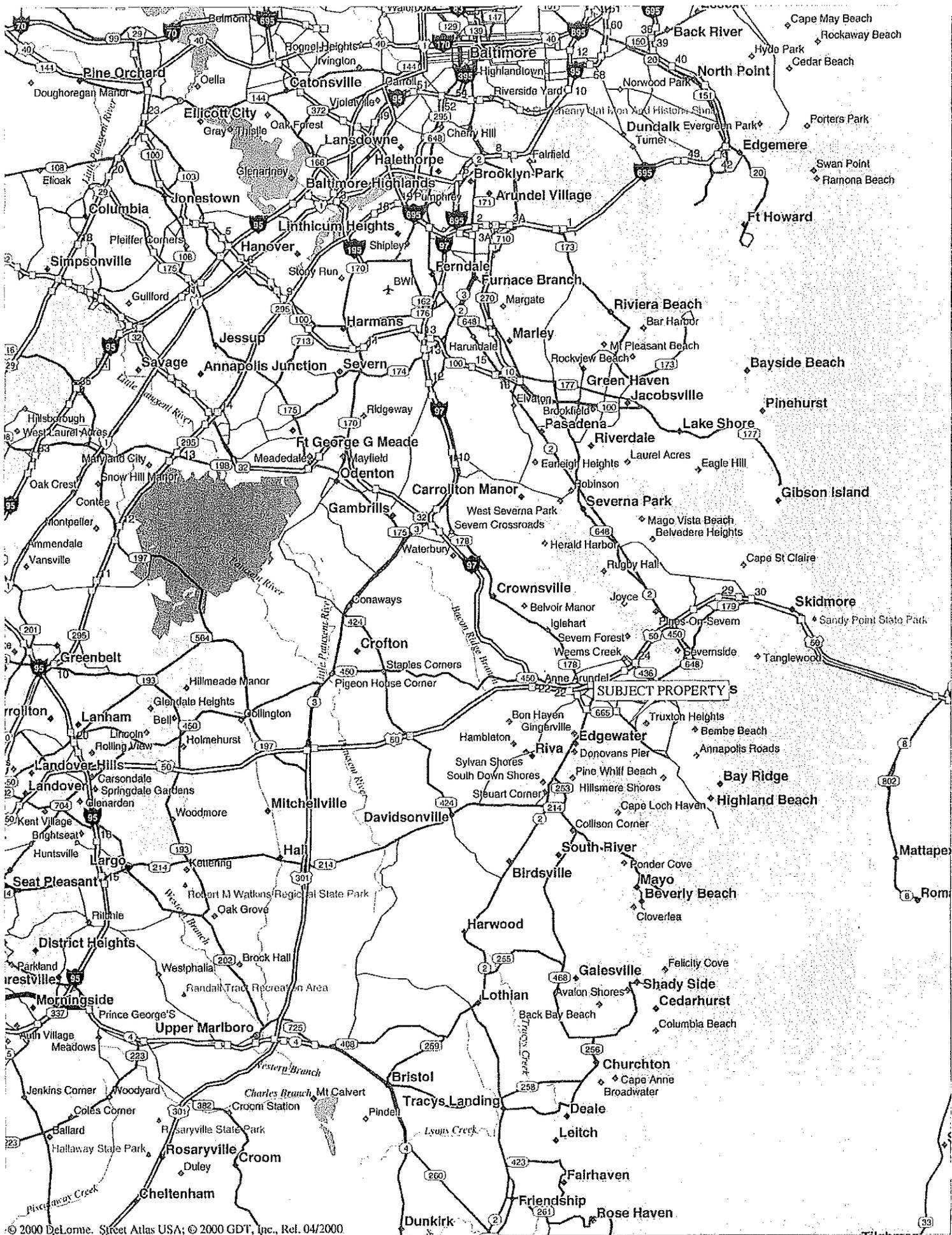
NEIGHBORHOOD DESCRIPTION

The subject property is located along the Forest Drive corridor within the city of Annapolis. The expanded Annapolis neighborhood extends east along Route 50 from Aris T. Allen Boulevard to the Chesapeake Bay and includes the City of Annapolis as well as the Parole area of Annapolis. The general neighborhood is approximately 20 miles southwest of Baltimore City and approximately 24 miles northeast of Washington, D.C.

Physical Features

The city of Annapolis is irregularly shaped by water frontage on the Severn River and several tributary creeks and is roughly bound on the north by Weems Creek and U.S. Route 50/301, on the east by the Severn River and the Chesapeake Bay, on the south by Forest Drive (some annexed portions of the city are on the southerly side of Forest Drive) and the residential areas of Annapolis Neck (a peninsula created by the Severn and South Rivers) and on the west by the commercial district of Parole and Maryland Route 2. The land area of Annapolis totals 7.2± square miles or 4,608 acres including approximately 370 acres for the U.S. Naval Academy.

The topography of Annapolis extends from sea level in the east to just over 90 feet in the southwest and is typically characterized by level or near level land. A dominant natural feature is its waterways which provide a total shoreline length of approximately 17 miles, over two miles of shoreline for each square mile of land area.



Transportation

The area is served by an excellent network of primary roads. Major roadways serving the expanded Annapolis neighborhood include Route 50/301, Maryland Route 2 and I-97. U.S. Route 50/301 has interchanges in Parole and at Rowe Boulevard that 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 the 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. There is no rail service to the Annapolis area.

According to statistics obtained from the State Highway Administration for 2017 traffic counts on Route 50 ranged from 82,512 vehicles per day just west of Cape St. Claire Road and increased to 168,281 vehicles each day at the I-97 interchange. Traffic counts on Route 50 west of Ritchie Highway ranged from 126,211 vehicles at the Severn River Bridge and decreased to 108,902 vehicles each day at Generals Highway. Ritchie Highway (Maryland Route 2) is a major north-south roadway through Anne Arundel County that connects Baltimore on the north and Annapolis and Route 50 on the south. Traffic counts on Ritchie Highway ranged from 48,280 vehicles per day north of its intersection with Route 50 and increased to 62,640 vehicles per day in Arnold.

I-97 is a north-south interstate that connects Annapolis and Route 50 on the south and the Baltimore Beltway (I-695) to the north. Counts on I-97 within the general area ranged from 93,382 vehicles at Route 50 and increased to 127,312 vehicles per day near Route 3/Crain Highway; counts on I-97 increase to the north. West Street (Maryland Route 450) is an east-west connector between Parole and downtown Annapolis. Traffic counts on West Street ranged from 34,272 vehicles per day near Hudson Street to 43,600 vehicles each day west of Route 50. Counts on West Street in downtown Annapolis averaged 16,052 vehicles per day according to SHA statistics. Counts along Solomons Island Road (also known as Maryland Route 2) ranged from 57,370 vehicles per day south of Aris T. Allen Boulevard and decreased to 37,700 vehicles each day at Route 50. Counts along Aris T. Allen Boulevard (Maryland Route 665) averaged 61,864 vehicles per day just east of Route 50 for 2017 and decreased to the east where the roadway becomes Forest Drive. No counts are provided along Forest Drive or Riva Road.

In addition to the excellent road network, air service is available to area residents at Baltimore/Washington International Thurgood Marshall Airport. The airport is owned by the State of Maryland and covers an area of nearly 3,600 acres. The terminal contains an approximate area of 1.976 million square feet (45.4 acres) divided into five concourses, although concourses A and B were effectively merged into one with a recent renovation, 68 jet gates and five commuter aircraft gates.

Passenger counts at BWI for 2010 totaled 21,936,461 indicating an increase of 4.7% over 2009 levels. Southwest Airlines continued to be the leading carrier at BWI serving more than 11.7 million passengers in 2010, a 7.4% increase over 2009 levels. According to statistics obtained from the Maryland Aviation Administration (MAA), passenger counts for 2011 totaled 22,391,785 indicating an increase of 2.1% over 2010 counts. Domestic passengers accounted for the bulk of all traffic with Southwest Airlines continuing to be the dominant carrier. Passenger counts for 2012 totaled 22,679,887 representing an increase of 1.3% over 2011 totals. According to the MAA, passenger counts for 2013 totaled 22,498,353; the volume is slightly lower, but largely consistent with 2012

levels. BWI passenger counts for 2014 totaled 22,491,346 indicating a decrease of 0.15% over prior year levels. Passenger counts totaled 23,823,532 for 2015 for an increase of 5.9% over 2014 totals. Counts at BWI totaled 25,122,651 passengers through December 2016 that represents an increase of 5% over 2015 totals. According to statistics obtained from the Maryland Aviation Administration, passenger counts for 2017 totaled 26,369,411 indicating an increase of 5.6% over 2016 counts. The passenger count at BWI for the first quarter of 2018 totaled 5,926,948 passengers for an annualized total of 23,707,792 based on the partial year counts.

Based on a December 2017 report entitled, "Regional Economic Impact of BWI Marshall Airport," the facility accounted for 106,488 direct and indirect jobs and contributed \$9.3 billion in total economic impact to Maryland's economy. BWI provided a total of approximately \$591.9 million in total state and local taxes from airport and visitor generated activities. Based on recent compilations, the airport generates an average of 694 flights per day or 253,238 annually. The Maryland Aviation Administration completed a five year \$1.8 billion capital improvement plan that included the addition of garage and surface parking lots, a consolidated rental car facility, a new concourse, the renovation and expansion of two existing concourses, as well as improved access to BWI in the fall of 2008. The MAA announced a \$100 million expansion and upgrade of airport facilities in early 2012 that included a new terminal containing an approximate area of 27,000 square feet connecting Concourses B and C. The terminal includes moving walkways and approximately 8,500 square feet of restaurant and retail space. The B/C Connector opened in the summer of 2013. In July 2013, MAA announced a \$125 million three year plan for additional improvements that included a new connector between Concourses C and D, a new security checkpoint designed to serve both domestic and international passengers and reconfiguring gates to allow increased international flights. Work on this project is now complete.

Demographics

Population growth within the city of Annapolis in the last decade has been moderate with the greatest increases in the downtown area and along the Forest Drive corridor. The slow growth is attributable to an aging population having an increasing proportion of "empty nesters" and an influx of older working couples that 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 over the past few years, as well as infill construction 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 over the past five to ten years.

Based on statistics obtained from the *Site to Do Business Online (STDBOnline)*, the population of the city of Annapolis (inclusive of the Naval Academy) for 2017 totaled 45,159 and is projected to increase 3.4% to 46,675 persons by 2022. The statistics indicate a total of 16,750 households in 2017 that is forecast to increase to 17,283 or by 3.2% in 2022. The average household size is 2.39 and is projected to increase slightly to 2.4 persons in five years. By comparison, the 2017 population of the larger Annapolis area (inclusive of the city of Annapolis and Parole and based on zip code areas 21401, 21402 and 21403) totaled 75,903 and is projected to increase 3.8% to 78,788 by 2022. The statistics indicate a total of 30,316 households in the larger area for 2017 that is forecast to increase to 31,425 or by 3.7% in 2022. County growth reflects the expansion of the Washington metropolitan area coupled with the availability of land to accommodate it. Improvements to major and secondary highways that connect Annapolis and Anne Arundel County to the Washington and Baltimore regional employment markets, should sustain increased growth. However, total

population, household counts and growth rates for the city of Annapolis and the expanded Annapolis area are constrained as much of the land area is already improved, devoted to historical, institutional or governmental uses, within the limits of the Chesapeake Bay Critical Area, or subject to other environmental constraints including steep slopes or wetlands.

Income

Based on *STDBOnline* statistics, Annapolis city residents have a 2017 median household income of \$76,935 annually that is projected to increase by 8.4% to \$83,434 per year in 2022. Average annual household income for city residents is significantly higher at \$105,906 for 2017 and is projected to increase to \$118,861, or by 12.2%, in five years. Median disposable income for city residents averaged \$56,332 for 2017; average disposable income is projected at \$73,944 annually based on the statistics. By comparison, income levels increase for the expanded Annapolis area with a projected median household income of \$89,119 for 2017 and an average annual household income of \$120,842. The median household income is forecast to increase to \$98,024 annually in 2022 with an average household income of \$134,482 at that time for the larger area. Median disposable income or effective buying income is estimated at \$63,661 annually for expanded Annapolis area residents; the average annual disposable income is projected at \$83,032 annually for 2017.

In addition, the employment market is reflected in the area's lower than average median effective buying income (EBI) that lags county levels as reflected in the chart below.

EFFECTIVE BUYING INCOME
(2017 - Number and Percent of Households)

Distribution	Number of Households	Percentage of Households
Under \$25,000	4,656	15.4
\$25,000-\$49,999	5,962	19.6
\$50,000-\$74,999	7,009	23.1
\$75,000-\$99,999	4,296	14.2
\$100,000 or more	8,393	27.7
Median Disposable Income	\$63,661	
Average Disposable Income	\$83,032	

Source: *Site to Do Business Online 2018*

By comparison, the median disposable income for Anne Arundel County residents for 2017 totaled \$64,290 annually; average disposable income is reported as \$81,331 annually. The median disposable income for Annapolis area residents is approximately 1% lower than for Anne Arundel County households while average household income is 2.1% greater than for county residents. *STDBOnline* reports that 23.1% of the area's workforce is employed in management, business or financial positions; 27.1% in professional positions; and 21.4% in sales and administrative functions. Service sector jobs account for 15.9% of employment while construction, maintenance and repair, production and transportation jobs provide 12.4% of employment for residents. Major employers include the state of Maryland, the city of Annapolis, the U.S. Naval Academy, Anne Arundel County government and the Board of Education, Rockwell, Home Depot, Westfield Shoppingtown Annapolis and ITT among others. While Annapolis and the surrounding Parole area generally enjoy

relatively low unemployment rates because of the concentration of government offices and the intense commercial development, the area is subject to fluctuations in the defense, telecommunication and technology sectors. The unemployment rate for Anne Arundel County for May 2018 is projected at 3.4% and is unchanged from the rate of May 2017 according to the Bureau of Labor Statistics. The unemployment rate for the state of Maryland as of May 2018 averaged 4.3% up from a rate of 3.9% one year earlier.

Based on statistics obtained from the *Site to Do Business Online*, Annapolis area residents are more likely to spend money on personal care products and services (SPI = 151), education (SPI = 158) and travel (SPI = 157). The Spending Potential Index (SPI) represents the amount spent by area residents relative to the national average of 100. Spending on vehicle maintenance and repairs totaled \$46.9 million with an average annual household expenditure of \$1,547 and SPI of 144. Shelter expenses are projected at a total of nearly \$751.5 million and residents are more likely to make mortgage payments (SPI = 148) and spend money on maintenance and remodeling services (SPI = 155) and materials (SPI = 137).

By comparison, Annapolis city residents are more likely to spend money on entertainment and recreation (SPI = 129), education (SPI = 141) and travel (SPI = 135). Spending on vehicle maintenance and repairs totaled \$22.7 million with an average annual household expenditure of \$1,355 and SPI of 126. Shelter expenses totaled \$370.5 million and Annapolis city residents are more likely to make mortgage payments (SPI = 125) and spend money on maintenance and remodeling services (SPI = 125) and materials (SPI = 114).

Housing

As of 2017, the city of Annapolis includes a total of 18,817 housing units with 89% occupied; the number of units is projected to increase to 19,490 units in 2022, or by 3.6%, with 88.7% occupied at that time. *STDBOnline* projects a median owner occupied house value for 2017 of \$419,492 and an average value of \$522,254; the median value is projected to increase to \$452,359 as of 2022 with an average value of \$554,149. The expanded Annapolis area includes a total of 33,954 housing units in 2017 with 89.3% occupied; the number of housing units is projected to increase to 35,236 in 2022 with 89.2% projected to be occupied at that time. *STDBOnline* projects a median house value for 2017 of \$459,337 and an average value of \$558,289; the median value is projected to increase to \$483,050 as of 2022 with an average value of \$585,354 at that time. Approximately 53.1% of all housing units are owner occupied within the greater Annapolis area as of 2017 with 36.2% of housing units renter occupied.

In 2012, the Sustainable Growth and Agricultural Preservation Act of 2012 was passed by the Maryland General Assembly. The act was designed to address future residential development within Maryland by establishing growth tiers. Specifically, these tiers delineate areas for future major and minor residential subdivisions and the type of sewage system that can serve them. The majority of Annapolis is designated as Tier 1 and Tier 2 that includes areas presently or proposed to be served by public sewer systems. Tiers 1 and 2 also include areas that are designated for local growth. In Tier 1, major and minor subdivisions are permitted and must be served by public sewer. Major and minor subdivisions are also allowed in Tier 2; major subdivisions must utilize public sewer while minor subdivisions may use on-site septic systems as an interim solution until public sewer becomes available.

Residential Market

An analysis of settled homes sold through the Metropolitan Regional Information System (MRIS) within the expanded Annapolis area (based on the 21401, 21402 and 21403 zip codes) was made for the period covering January 2015 through May 2018. According to MRIS, a total of 470 dwelling units sold through May 2018 in the subject neighborhood. An annualized volume of 1,128 sales is projected for 2018 that would represent a significant decline from the prior year. However, the first part of the year is not typically indicative of annual housing sales. Settled prices ranged from \$130,000 for a three bedroom, 1½ unit to \$4,337,500 for a six bedroom, 6½ bath waterfront in West Annapolis. As with prior years, the bulk of transactions are concentrated at prices of \$200,000 to \$400,000. For the first five months of 2018, a total of 26 dwelling units (5.5% of volume) sold as short sales or as transfers of bank owned assets.

Based on a review of MRIS statistics, a total of 1,299 dwellings sold throughout the Annapolis area during 2017 representing an increase of 6.1% over the prior year. Settled prices ranged from \$69,300 for a two bedroom, one bath unit to \$4,350,000 for a four bedroom, 4½ bath waterfront on Aberdeen Creek. Prices are concentrated in the \$200,000 to less than \$300,000 range with this bracket accounting for 20.9% of annual settlements. Units selling at prices of \$300,000 to less than \$400,000 or \$400,000 to less than \$500,000 accounted for 19.4% and 17.5%, respectively, of volume. A total of 6.6% of 2017 volume represented short sales (22 units) or sales of bank owned assets (64 units); no foreclosures occurred.

According to a review of MRIS statistics, a total of 1,224 dwelling units sold in the expanded Annapolis area during 2016. Prices ranged from \$58,900 for a two bedroom, one bath unit to \$6,125,000 for a five bedroom, five+ bath waterfront estate. Unlike the prior year, the bulk of partial year 2016 volume is concentrated in the \$200,000 to less than \$300,000 range that accounted for 21.6% of partial year settlements. Dwelling units trading at prices of \$300,000 to less than \$400,000 represented 20.9% of volume with homes selling at prices of \$400,000 to less than \$500,000 accounting for 16.7% of settlements for the year. A total of 113 units or 9.2% of all transactions occurred as short sales (23 units), foreclosures (four units) or transfers of bank owned assets (86 units).

Based on an analysis of MRIS statistics, a total of 1,168 dwelling units settled in the larger Annapolis area in 2015. Settled prices ranged from \$62,000 for a two bedroom, one bath condominium sold as a bank owned asset to \$4,725,000 for a four bedroom, four+ bath waterfront home in Murray Hill. The bulk of 2015 volume is concentrated in the \$300,000 to less than \$400,000 range with this price bracket accounting for 22.6% of volume followed closely by units settling at prices of \$200,000 to \$299,999 that represents 21.7% of 2015 sales. Dwelling units selling at prices of \$400,000 to less than \$500,000 account for 14.7% of volume for 2015. Based on MRIS statistics, 10.7% of settlements consisted of short sales (33), foreclosure (one) and transfers of bank owned assets (91) during the year.

Sales volume escalated during the 2011 through 2013 period, but prices remain somewhat constrained. However, the recent improvement in the housing market is resulting in some price increases for area properties. The general consensus; however, is that the area will fare much better with regard to price changes than many areas of the country or within Maryland because of the proportion of government related and high tech jobs. Potential purchasers and business owners appear more confident with respect to current economic conditions. However, the Trump administration intends to reduce the size of the federal government that may affect Maryland

residents, although many are employed in defense related agencies that are expected to see an increase in funding by the current administration. The subject neighborhood has adequate service amenities available, including schools, fire stations, religious facilities, hospitals and libraries.

Commercial Development

Commercial development consists of regional and local serving retail establishments located along the major roadways in the larger Annapolis area. Development along the Route 50 corridor consists of a number of automobile dealerships, self-storage facilities, hotels, convenience stores featuring gasoline sales, a few office buildings and restaurants. Much of the existing development is located at interchanges with Route 50 with little development at off-ramp locations. Much of the intense commercial and retail development is located in the Parole area of Annapolis. Two notable projects include the Annapolis Towne Centre and Westfield Shoppingtown Annapolis (formerly known as the Annapolis Mall). The Parole area of Annapolis is primarily commercial in nature. Westfield Shoppingtown has had the most influence on the development of the expanded neighborhood over the past 10+ years, spurring additional retail development and making the area one of regional importance. A two level, 110,000 ± square foot Lord & Taylor Department store was completed in late 1998 as an expansion to the 1,060,000 ± square foot mall. However, the retailer recently vacated the mall in April 2018. The space is reportedly offered for lease at \$65.00 per square foot.

Given the substantial and diverse forms of development in the area, Parole not only serves as a regional shopping area, but has also become a major employment center over the past ten years. Other major redevelopment plans included the Annapolis Towne Centre at Parole is a large mixed use project in the larger Annapolis area. Ground was broken in December 2005 on the \$400 million project that is planned to include more than 1,700,000 square feet of building improvements, including 625,500 square feet of retail, 91,700 square feet of offices, a 200 room hotel, 630 residential units and 5,510 parking spaces. Whole Foods, Target, P.F. Chang, Bed, Bath & Beyond, and Anthropologie are some of the existing tenants in the Main Street style project. As part of the project, residential condominiums and apartments were also constructed in two towers. Additionally, the Crosswinds at Annapolis Towne Center is a recent apartment project that consists of 215 units. The site contains an area of 1.8155 acres or 79,084.7 square feet that sold at a price of \$7,500,000 indicating a rate of \$34,884 per potential unit.

More recent development includes a Patient First along West Street on the site of a former bank building. In addition, a luxury apartment complex containing a gross building area of 450,000 square feet divided into 293 units is complete on a site at Holly Avenue and north of West Street. Units are available at prices of \$1,620 to \$2,550 per month for the studio, one bedroom or two bedroom apartments. In addition, a medical marijuana dispensary is complete on West Street a short distance east of Route 2.

Commercial Vacancy Rates

Vacancy levels and rental rates in the larger commercial market are tracked by CoStar, a number of brokerage firms as well as local government offices. The Economic Development Corporation (EDC) for Anne Arundel County tracks office, industrial and flex vacancy rates in the county; segregated rates for Annapolis are not available. According to the EDC, the county office vacancy rate averaged 11.4% as of the fourth quarter of 2017 (the latest available) and is lower than the 12.5% rate that characterized the market as of the fourth quarter of 2016. The flex vacancy rate increased to 9.2% as of December 2017 from a rate of 8.2% at the end of 2016. Finally, the

industrial vacancy rate also increased to 9.2% as of December 2017 as compared to a rate of 8.7% as of December 2016 according to the EDC.

Office Market

The Baltimore metropolitan area benefitted from new jobs created as part of the Base Realignment and Closure Program (BRAC), as the area was chosen for the increased defense related employment because of the educated work force and proximity to Washington, D. C. Maryland state officials projected a total of 8,200 direct jobs to be created at the Aberdeen Proving Ground in Harford County and 5,700 jobs at Fort George G. Meade in Anne Arundel County. New employees relocated to the proving ground beginning in 2009 with a big spike of workers arriving in 2010 and 2011. Fort Meade received the bulk of its jobs in 2011. As of early 2012, BRAC relocations of 5,695 jobs at Fort Meade are complete. Additional employment included 2,320 positions as part of the U.S. Cyber Command; NSA growth of 6,680 positions; approximately 10,000 EUL contractor positions on Fort Meade; and 2,000 new positions as part of general growth of the Department of Defense. Prior to BRAC, 35,000 people worked at Fort Meade and according to the Department of Business & Economic Development for the state of Maryland, employment at Fort Meade totaled 56,780 as of 2013.

According to CoStar, a regional database, the larger Annapolis office market (based on the 21401, 21402 and 21403 zip codes) consists of a total of 427 buildings that contain a combined area of 6,731,896 square feet. Vacancy for these buildings as of June 2018 totaled 514,549 square feet indicating a vacancy rate of approximately 7.6%. The vacancy rate increases to 14.7%, if sublet and other available space is included in the vacancy calculation. The market experience negative net absorption of 62,252 square feet of space on leasing activity of 158,388 square feet thus far for 2018. Asking rental rates range from \$16.00 to \$37.00 per square foot with an average rate of \$29.01 per square foot on a full service basis according to CoStar. Full service expenses typically range from \$7.00-\$10.00 per square foot in the local market.

Cushman & Wakefield is an international commercial brokerage firm that tracks office vacancy rates throughout the Baltimore metropolitan area. The subject neighborhood is part of the Greater Annapolis Area submarket that consists of a total of 3,747,152 square feet with 399,952 square feet or 10.7% vacant as of the end of the first quarter of 2018. The submarket gave back a total of 23,736 square feet during the first quarter with 229,800 square feet currently under construction according to the brokerage. The vacancy rate for the subject market, historically one of the lowest in the Baltimore metropolitan area, is now in the middle of the range of vacancy rates, but still commands among the highest asking rental rates. Asking rates average \$30.15 per square foot for Class A space and \$27.12 per square foot on a full service basis over all building classes.

According to Transwestern, a commercial brokerage firm, the Anne Arundel South office market (includes the subject area) consists of a total of 7,349,444 square feet with a direct vacancy level of 12.6% and higher rate of 12.9% if sublet space is included in the vacancy calculation as of the end of June 2018. Transwestern reports that 245,747 square feet of new space is presently under construction in the submarket; the market posted positive net absorption of 21,000 square feet during 2017 and 15,000 square feet during the first two quarters of 2018.

CB Richard Ellis also reports on office vacancy rates throughout the Baltimore metropolitan area in its publication *Market View Baltimore Office*. According to the geographic delineation of the brokerage, the subject area is part of the Annapolis office submarket. The market contains a

combined area of 2,409,359 square feet with an overall vacancy rate of 10.1% at the end of the first quarter of 2018. The market posted positive net absorption of 4,222 square feet during the quarter with 128,950 square feet of new office space currently under construction. Asking rental rates for Class A space average \$28.59 per square foot while rates over all building classes average \$28.16 per square foot on a full service basis in the Annapolis submarket. By comparison, the entire Baltimore metropolitan office market is operating at an overall vacancy rate of 14.3% with asking rates averaging \$24.29 per square foot for Class A space and \$22.62 per square foot over all building classes on a full service basis.

Rental rates for the better quality office buildings in the Annapolis submarket typically range from \$20.00 to \$35.00+ per square foot on a full service basis for new buildings with a pre-determined expense stop typically in the range of \$7.00 to \$10.00 per square foot. Older buildings or those with limited parking, lease at rates of \$12.00 to \$22.00 per square foot on a full service basis. It is also common practice to add a core factor to the net usable area of the leased space to reflect each tenant's proportionate share of common areas. The core factor typically ranges from 10% to 12% of the net rentable area in this market. Historically, the market was unwilling to compensate property owners for core areas of greater than 12%; however, as building designs become more distinctive and feature amenities like fitness rooms, tenants were more willing to contribute to higher core factors. In addition, area landlords are attempting to shift utility costs to the tenants as a way of controlling escalating energy expenses. However, with higher vacancy rates tenants are negotiating for free rent, reduced rates and higher tenant improvement allowances; however, the total amount of concessions continues to decline.

Industrial Market

According to an analysis of CoStar statistics, the Annapolis warehouse market consists of a total of 40 buildings that together contain a combined area of 800,920 square feet. Direct vacancy is reported at 2.9% for these buildings as of June 2018; however, the vacancy rate increases to 4.7% if sublet and other space are included in the calculation. The market gave back a total of 7,791 square feet on 12,964 square feet of leasing activity thus far for the year. Rental rates range from \$11.00 to \$14.75 per square foot within the warehouse submarket based on an analysis of CoStar statistics.

The Annapolis flex market contains an area of 1,573,604 square feet in 60 buildings based on an analysis of CoStar statistics. A total of 126,430 square feet, or 8%, is vacant as of June 2018; the vacancy rate increases to 9.6% when sublet space is included in the calculation. The market absorbed a total of 8,204 square feet thus far for 2018 on 34,186 square feet of leasing activity. Flex rental rates range from \$14.00 to \$14.50 per square foot with an average rate of \$14.25 per square foot on a modified gross expense basis according to an analysis of CoStar statistics.

Transwestern also reports on vacancy rates for industrial/flex space in the Baltimore metropolitan area. The subject property is part of the Anne Arundel South submarket that contains a combined area of 4,476,252 square feet. The direct vacancy rate for the submarket averaged 4.2% as of June 2018; the vacancy rate remains unchanged with the inclusion of sublet space. The submarket absorbed 45,000 square feet during 2017 and 13,000 square feet during the first six months of 2018. Asking rentals for industrial spaced averaged \$16.03 per square foot on a triple net basis and is the highest among the surveyed submarkets. According to the brokerage, no new industrial or flex space is currently under construction in the submarket.

CB Richard Ellis also reports on industrial vacancy rates throughout the Baltimore metropolitan area in its publication *Market View Baltimore Industrial*. According to the brokerage, the Baltimore flex market consists of a total of 32.3 million square feet with an overall vacancy rate of 7% as of the end of March 2018. The market posted positive net absorption of 345,551 square feet during the first quarter of the year. Asking rental rates average \$9.85 per square foot on a triple net expense basis as of the end of the first quarter of 2018. According to CBRE, the Baltimore metropolitan warehouse market contains a total combined area of 133.3 million square feet with an overall vacancy rate of 6.7% as of the end of March 2018. The entire warehouse market posted positive net absorption of 755,377 square feet during the first three months of 2018. Asking rental rates for warehouse space average \$5.31 per square foot on a triple net basis in the Baltimore metropolitan area.

Based on the geographic delineation of the brokerage, the subject neighborhood is part of the Annapolis submarket that consists of 1,263,598 square feet and accounts for 3.9% of all space in the metropolitan area flex market. Overall vacancy in the Annapolis flex submarket averages 11.6% for the first quarter of 2018 and is one of the highest vacancy rates within the surveyed submarkets. The subject submarket posted positive net absorption of 2,787 square feet for the first three months of 2018. Asking rentals average \$10.41 per square foot on a triple net basis in the flex submarket with no new space currently under construction in the corridor market according to the brokerage.

The Annapolis warehouse market contains a combined area of 509,191 square feet with a vacancy rate of 1.8% as of the end of March 2018 according to CB Richard Ellis. The area submarket is relatively stable, but gave back a total of 1,260 square feet during the first quarter. According to the brokerage, no new warehouse space is currently under construction in the submarket. Asking rentals for area warehouse space average \$8.71 per square foot on a triple net basis according to CBRE.

Retail Market

Based on an analysis of CoStar statistics, the Annapolis retail market consists of a total of 481 buildings that together contain a combined area of 7,625,100 square feet. As of June 2018, retail vacancy totals 192,827 square feet indicating a rate of 2.5%; the rate increases to 3.7% if sublet and other available space is included in the vacancy calculation. The market gave back a total of 25,826 square feet on leasing activity of 73,559 square feet thus far for 2018. Rental rates range from \$10.00 to \$50.00 per square foot with an average rate of \$30.96 per square foot on a triple net basis based on the CoStar statistics.

According to MacKenzie, a regional brokerage firm that tracks retail, office and industrial rental rates and vacancy levels throughout the area, the entire Baltimore metropolitan market consists of a total of 9,849 retail buildings with a combined area of approximately 134.2 million square feet as of the end of the first quarter of 2018. The entire Baltimore market is operating at a direct vacancy rate of 3.9% as of the end of March 2018 that is down from a rate of 5.04% as of the end of September 2015. The sublet vacancy rate currently stands at 5.4% for the Baltimore area. The metropolitan market gave back a total of 133,231 square feet thus far for 2018. The average asking rental rate of \$20.32 per square foot on a triple net basis is higher than the rate that characterized the market one year earlier. The subject is part of the Annapolis submarket according to the geographic delineation of the brokerage. According to MacKenzie, the Annapolis retail submarket is operating at a direct vacancy rate of 3.3% as of the end of the first quarter of 2018 and a higher sublet rate of 4.6%. The Annapolis retail submarket includes 829 buildings with a combined area of 13,603,915 square feet as of the end of the March 2018 according to the brokerage. The market experienced

negative absorption of 24,677 square feet during the first quarter with an average asking retail rental rate of \$22.85 per square foot on a triple net basis.

Conclusion

In conclusion, the Annapolis area will continue to be the center of local and state government, although services and tourism will also grow in importance. Increases in population counts and the number of households will continue to be modest because of the lack of available development land and the large number of institutional and government facilities located within the neighborhood. Redevelopment of existing improved parcels will become more prevalent as much of the land area is already improved. The area is a desirable location because of the quality of life and access to water-related activities. Residential parcels will continue to be developed with multifamily or townhome uses because of the relative scarcity of building sites and development land. In conclusion, as the growth of the area continues, the already limited supply of land available for residential, industrial or commercial development will diminish further, enhancing property values in the neighborhood.

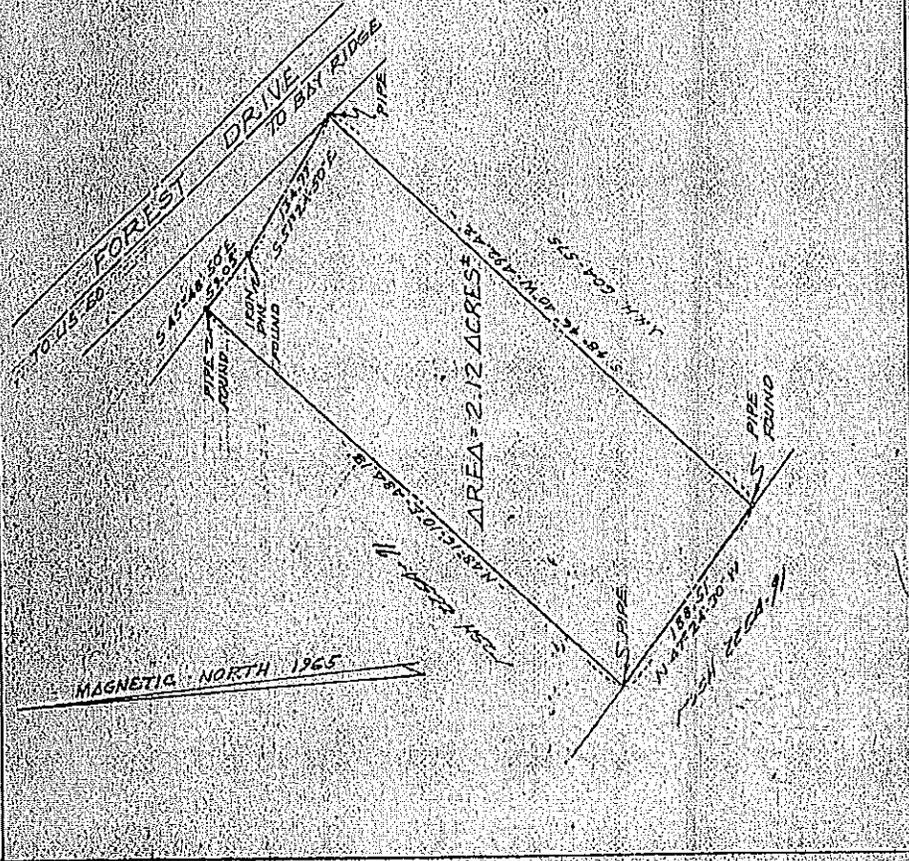
PROPERTY DESCRIPTION

<i>Location</i>	The subject property is identified on Anne Arundel County Tax Map 51I, Block 17 as Parcel 1756 in the Sixth Assessment District.
<i>Plat</i>	The site is shown on a plat recorded as part of the deed to the subject property. A reduced scale copy of the recorded plat is included on the following page.
<i>Land Area</i>	2.12 acres or approximately 92,347 square feet
<i>Shape</i>	Regular
<i>Frontage</i>	194.04± feet along the southeast side of Forest Drive
<i>Topography</i>	Level
<i>Soil Classifications</i>	According to the <i>Web Soil Survey</i> published by the United States Department of Agriculture, Natural Resources Conservation Service, the dominant soils comprising the subject property consist of the Annapolis and Donlonton varieties. Annapolis-Urban Land Complex (AuB with 0 to 5 percent slopes) presents slight limitations for development with dwellings with basements, moderate limitations for development with dwellings without basements, small commercial buildings, or roads and streets and severe limitations for on-site septic facilities. Urban land is not rated. Donlonton soils (DnA with 0 to 2 percent slopes) present moderate limitations for development with homes with basements, roads and highways or streets and parking lots because of the moderately high seasonal water table and severe limitations for development with on-site disposal of sewage effluent because of the moderately slow to slow permeability and moderately high seasonal water table. However, it is an assumption that the subject property is capable of

FILE CASE NO.

To All Persons interested
 in Title to Premises shown
 hereon see Land Records of
 Anne Arundel County.
 Liber ~~1111~~ Folio 150
 See also
 Plat Book _____
 page _____

REVISED 8-22-71 J.D.H.
JAMES D. HICKS
 REGISTERED SURVEYOR
 COUNTY SURVEYOR, A. A. CO.
 SURVEYED FOR ~~James D. Hicks~~
 LOCATION: FOREST DRIVE
 DRAWN BY: JTC SCALED 5/100
 TRACED BY: JTC 11-5-71-65
 ADDRESS: HICKS BUILDING
 ANNAPOLIS, MD.



supporting dwelling units given the surrounding, long standing development on surrounding properties on similar soils.

Environmental Assessment

To my knowledge, a Phase I environmental site assessment had not been conducted on the subject property as of the effective date. Because of the lack of an environmental assessment, this appraisal is contingent on there being no hazardous environmental conditions on the property. If subsequent information indicates that this contingency is incorrect, then this appraisal and any estimate of value contained herein may need to be qualified or amended.

Flood Hazard Area

The subject property lies entirely within a Zone X flood hazard area as determined by the Federal Emergency Management Agency (FEMA) as shown on flood map panel 24003C 0234F with an effective date of February 18, 2015. Zone X denotes areas outside the 100 year flood.

Critical Area

The subject property lies outside the limits of the Chesapeake Bay Critical Area.

Airport Noise Zone

The subject property lies outside the limits of the Airport Noise Zone (ANZ) that surrounds BWI.

Utilities

Public water, sewer, telephone and electricity are available to the property.

Immediate Area

The immediate neighborhood of the subject property is developed with a mixture of residential, institutional and commercial uses. The property adjoins the Rider's Glen townhome subdivision to the south, unimproved, residentially zoned land to the east and west, Village Greens, a mixed commercial and residential project further west across Newtowne Drive and a religious facility, scattered commercial uses and apartments to the north. Much of the Forest Drive frontage in the vicinity of the subject property is commercially developed. The Crystal Spring project is planned east of the subject site and was to consist of a continuing care retirement community and a mixed use component. With citizen opposition, the National Lutheran Communities and Services decided to develop the CCRC independent of the mixed use portion of the plan. For the CCRC, development is to consist of two phases with overall development consisting of 382 age restricted units and 48 health care units that will provide housing for approximately 500 seniors. The CCRC is not approved. The future of the mixed use portion of the project is uncertain at this time.

Improvements

The subject parcel is currently improved with a one story fraternal building that contains an enclosed area of 6,248 square feet according to the assessment record for the property. An interior inspection was not conducted of the existing improvement.

TITLE DATA

Deed Reference

The subject property was acquired by the current owner, The American Legion, Department of Maryland, Cook-Pinkney Post No. 141, by deed dated September 16, 1971, as recorded among the land records of Anne Arundel County in Liber 2435, page 818. Consideration as stated in the deed totaled \$5.00.

To my knowledge, there have been no recorded transfers of the subject property within the preceding three years. A copy of the recorded deed to the property is included in the appendix to this report.

Listings and Contracts

The property is not currently listed for sale or subject to a purchase contract as of the effective date to my knowledge. However, the purpose of this appraisal is to estimate the market value of the property for a potential acquisition of a portion of the supporting site by the city of Annapolis.

Easements and Restrictions

The property is subject to typical utility easements for the installation of public water, sewer, telephone and electricity. These easements are typical of residentially or commercially zoned properties.

Encumbering Leases

The subject site is presently owner occupied and not leased as of the effective date to my knowledge.

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 2017-18 tax year are based on 100% of full cash value and all properties within Annapolis are reassessed once every three years. The current real property tax rate for the city of Annapolis for the tax year beginning July 1, 2017 and ending June 30, 2018, is \$0.649 per \$100.00 of assessed valuation (city), \$0.544 per \$100.00 of assessed valuation (county) and \$0.112 per \$100.00 of assessed valuation (state) for a total tax rate of \$1.305 per \$100.00 of assessed value. Following are the current assessments for the subject property.

Account Number 6-000-00100608

Land:	\$1,388,700
Improvement:	<u>\$ 485,500</u>
Assessment:	\$1,874,200 (Fiscal Year 2018)
Assessment:	\$1,908,200 (Fiscal Year 2019)
Assessment:	\$1,942,200 (Fiscal Year 2020)
Assessment:	\$1,976,200 (Fiscal Year 2021)

The subject property is classified as exempt commercial property by the State Department of Assessments and Taxation. Because of the exempt status, the parcel is assessed but no real estate taxes are paid for the account. However, real estate taxes would total \$24,458.31 indicating a rate of \$3.91 per square foot of enclosed improvement area based on the building size included in the assessment record for the property.

The property was reassessed as of January 1, 2018 for FY19-FY21. The full cash value increased when reassessed; therefore, the increase will be phased in over the three year cycle.

Conclusion

The tax rates for FY19 for properties within the city of Annapolis will increase to \$1.391 per \$100.00 of assessed valuation comprised of a rate of \$0.738 per \$100.00 of assessed valuation (city), \$0.541 per \$100.00 of assessed valuation (county) and \$0.112 per \$100.00 of assessed valuation (state). Property taxes for the subject parcel would total \$26,543.06 for FY19 given the phase in assessments and FY19 tax rates, if not exempt.

ZONING

According to the Department of Planning and Zoning for the city of Annapolis, the subject property is entirely zoned R3, General Residence District. The purpose of the zoning district is to provide for single family and two family detached dwellings at a maximum density of eight units per acre and other uses compatible with these neighborhoods of the city including single family attached and multi-family dwelling units at higher permitted densities. Following is a description of the zoning classification.

Uses

Single family detached dwellings; two family dwellings; religious institutions; public schools and colleges, among others, are permitted in an R3 district. Private colleges; day care centers; single family attached and multifamily dwellings; hospitals and sanitariums; institutions for the care and treatment of alcoholics, drug addicts and the mentally ill; and rest and nursing homes are some of the uses permitted by special exception. Residential and special mixed planned unit developments are permitted subject to additional standards.

Bulk Regulations

Bulk regulations require a minimum lot size of 5,400 square feet and lot width of at least 50 feet for development with single family dwellings and day care centers. The minimum lot size increases to 7,200 square feet with a width of at least 50 feet for two family dwellings or 20,000 square feet with a minimum lot width of 100 feet for recreational and social buildings, and religious institutions. For multifamily and single family attached dwellings, density is computed on a rate of 3,600 square feet per unit for a maximum density of 12 units per acre. A lot size of at least 40,000 square feet and width of 120 feet is required for development of health and medical institutions. Inns require a minimum lot area of two acres with height limited to no more than 35 feet or 2.5 stories. Yard requirements for single family development include a front yard of at least 25 feet, interior side yard of 5 feet or more or at least 15 feet for a corner lot, and a rear yard of 30 feet. Height is limited to

2.5 stories not to exceed 35 feet for single family development. For planned developments, the bulk regulations shall be determined through the planned development process.

Conclusion

The existing use of the property as an improved site for a fraternal building is permitted within the R3 zoning district.

***Section C:
Appraisal Analysis and
Value Conclusions***

HIGHEST AND BEST USE

Highest and best use is defined in *The Dictionary of Real Estate Appraisal*, (Sixth Edition, page 109, 2015) as:

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

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

HIGHEST AND BEST USE, AS UNIMPROVED

Physically Possible

The subject property consists of a single parcel of land that contains an area of 2.12 acres or 92,347 square feet. The parcel is regularly shaped, mostly cleared and at road grade. The property has direct access and frontage along Forest Drive of 194.04 feet. The existing soils are assumed capable of supporting buildings as evidenced by the surrounding development on similar soils. The property lies outside the limits of the Chesapeake Bay Critical Area and is not within a flood hazard area. Given the physical characteristics of the subject, the property could accommodate a variety of uses.

Legally Permissible

The subject property is entirely zoned R3, a residential classification that permits residential development as well as some institutional or special purpose uses by special exception. Performance standards require a minimum land area of 3,600 square feet and lot width of at least 16 feet for townhome development as part of a residential planned unit development. The property would meet the minimum lot size and width requirements for development in the district. Given a density of 3,600 square feet per residential unit, a total of 25 residential units would be permitted on the subject property. A number of uses are physically possible and legally permissible on the subject site.

Financial Feasibility

Residential development would be possible for the subject property and most likely take the form of a townhome development given the location along Forest Drive and the greater lot yield for a project consisting of attached units as compared to single family detached units. More recent residential development along Forest Drive consists of attached units and this use would be permitted on the subject site as part of a PUD.

Highest and Best Use, As Vacant

Therefore, the highest and best use of the subject property, as unimproved, is for residential development with a 25 townhome units. The opinion of highest and best use is physically possible, legally permissible, financially feasible and provides the greatest return to the land.

HIGHEST AND BEST USE, AS IMPROVED

Physically Possible

The subject property is improved with a one story fraternal building that contains an enclosed area of 6,248 square feet according to the assessment record. The building appears to date to the 1970s and is in average condition based on an exterior inspection. Site improvements include paved on-site parking and limited landscaping.

Demand will remain steady for buildings capable of use by owner occupants who wish to eliminate the variability of rental payments and take advantage of the other benefits of property ownership. In addition, demand for the subject property will continue to be strong because of the location in the Baltimore metropolitan area, access to the regional road network and proximity to a large surrounding population base. The property is in Annapolis and the area would provide ready demand for the services offered at the subject building.

Legally Permissible

The subject property is zoned R3 and the existing club use is permitted by special exception in the zoning district. The property is developed to a floor area ratio of 0.07 based on a ratio of the gross building area to the site area and is on the low end of the range permitted by the current zoning regulations. A number of uses are physically possible and legally permissible for the subject property, as presently improved.

Financially Feasible

Feasible uses for the property, as improved, would include: (1) razing the existing improvement to allow for redevelopment of the site as permitted by the current zoning; or (2) continuation of the existing use. The improvement could be razed to allow for immediate redevelopment of the site as a residential subdivision or with another institutional use. Residential development is feasible for the property given the number of lots and prices paid in the area market for sites. Continuation of the existing use is also possible for the property with the improvement contributing on an interim basis only until redevelopment of the supporting land becomes economically feasible.

Highest and Best Use, As Improved

Therefore, it is my opinion that the highest and best use of the subject property is for continuation of the current institutional use in the interim with redevelopment of the supporting land as a residential subdivision. This use is physically possible, legally permissible, financially feasible and provides the greatest return to the land.

APPROACH TO VALUE

The cost, sales comparison and income capitalization approaches are typically considered in the appraisal of real estate. The cost approach is based on the understanding that market participants relate value to cost. In the cost approach, the value of the land is added to the current replacement or reproduction cost of the improvements after deducting depreciation from all causes attributable to the building. Entrepreneurial incentive may be included as part of the value estimate. The cost

approach is particularly useful in estimating the value of new or well maintained properties or for property types that transfer infrequently such as churches, funeral homes or other special purpose uses.

The sales comparison approach is based on the principle that value is directly related to the prices paid for competitive or comparable properties. Value is estimated using the sales comparison approach by analyzing the market for similar properties and comparing these properties to the subject property. Comparative analysis focuses on market reactions to the similarities and differences that influence value. Elements of comparison may include the property rights conveyed, motivations of buyers and sellers, physical attributes, location and income characteristics.

The income capitalization approach measures the present value of future benefits. There are two methods of income capitalization. Direct capitalization is a method that converts income for a single year into a value indication. Yield capitalization is a method that discounts future periodic income streams at an appropriate rate for an indication of the value of the property under consideration. Market participants may use some combination of both direct and yield capitalization in analyzing investment alternatives.

The subject property is not valued by the cost approach as the proposed acquisition area is unimproved. The approach is most applicable to improved sites where the improvements represent the highest and best use of the property. The subject is not valued by the income capitalization approach as similar sites are typically purchased for owner occupancy and not for the generation of income from leasing the site.

The subject property is valued based on a before and after analysis and measures the incremental change in value to the subject parcel. In the analysis, the value of the supporting site as presently existing is estimated based on a comparison of recent sales in the Annapolis area. As the existing improvement is not affected by the proposed conveyance, a value of \$485,500 based on the FY18 assessment is assigned for the existing building and will remain constant in the before and after situations.

In the after situation, the site is valued based on a supporting land area of 1.860 acres or 81,036 square feet. The assessed value of the existing improvement is then added for a value of the supporting site. The difference between the before and after values reflects the incremental diminution of the subject property as a result of the acquisition.

Following is the before and after analysis for the subject property. The sales comparison approach is considered in projecting the value of the supporting land before and after the proposed acquisition of the subject property.

VALUATION OF THE SUBJECT PROPERTY, BEFORE THE ACQUISITION

The sales comparison approach is an appraisal procedure that compares recent sales of similar properties to the subject for an indication of value for the property under consideration. The principle of substitution holds that the value of a property tends to be set by the prices paid for properties of similar utility and desirability. The sales comparison approach is applicable to the valuation of all types of real estate, provided that an adequate number of sales occurs within the market. The sales

comparison approach is more reliable for properties where there are an adequate number of transfers to indicate pricing levels and trends in the market.

The procedure for employing the sales comparison approach includes: (1) researching the market for sales, listings and contracts to find comparable sales in terms of property type, sale date, size, condition, location and zoning; (2) verifying the data as factual and that the transaction reflects an arm's-length transaction; (3) selecting a relevant unit of comparison; (4) comparing the selected comparable properties to the subject property or eliminating the comparable; and (5) reconciling the value indications to a point estimate or range of value. The unit of comparison used in valuing the subject property is the price per potential residential unit. Other units of comparison can be used, i.e., price per cubic foot; however, this basis of comparison is not used in the subject market.

According to *The Appraisal of Real Estate* (14th Edition, page 390) "Elements of comparison are the characteristics of properties and transactions that help explain the variance in the prices paid for real property." The ten elements of comparison typically considered in the sales comparison approach include: (1) real property rights conveyed; (2) financing terms; (3) conditions of sale; (4) expenditures made immediately after purchase; (5) market conditions; (6) location; (7) physical characteristics; (8) economic characteristics; (9) use or zoning; and (10) non-realty components of value.

ESTIMATED LAND VALUE

Land value is affected by the appraisal principles of anticipation, change, supply and demand, substitution and balance. The expectation of future benefits and enhancement of value reflects the principle of anticipation. The supply and demand of sites tend toward equilibrium, but prices tend to be set by imbalances of supply and demand at particular times. In short, if sites are scarce, the price increases. Conversely, if sites are abundant and demand limited or non-existent, prices fall. Additionally, the principle of substitution suggests that a purchaser will pay no more for one site than for another of equal utility.

Land is valued as vacant and available for development to its highest and best use. Vacant sites can be valued using the sales comparison approach, allocation or extraction methods, or by income capitalization techniques. The sales comparison approach is the most common technique for valuing land and involves researching, analyzing and comparing recent sales to the subject property. The approach most accurately reflects the way in which development sites are traded in the local market. Numerous sales of unimproved land were investigated; however, the following four transactions are compared to the subject property to estimate a value of the supporting land. The unit of comparison is the price per potential residential unit that is considered most pertinent to this analysis. Following are the comparable sales.

Land Sale 1

<i>Project</i>	The Enclave on Spa
<i>Location</i>	1-36 Enclave Court; Anne Arundel County TM 51F, Block 13 as Parcel 1318 in the Sixth Assessment District; also identified as Lots 1 through 36, inclusive, as shown on a plat entitled, "The Enclave on Spa" as recorded among the land records of Anne Arundel County in Plat Book 340, pages 10-11; Annapolis, Maryland 21403
<i>Grantor</i>	Lily Lorraine Clow
<i>Grantee</i>	K Hovnanian Homes of Maryland, L.L.C.
<i>Recorded</i>	30336/309
<i>Sale Dates</i>	11/15/16; 11/23/16
<i>Zoning</i>	R2 and R3, General Residence Districts (City of Annapolis, Maryland)
<i>Utilities</i>	All public
<i>Land Area</i>	3.819 acres or 166,366 square feet
<i>Improvements</i>	Property formerly improved with a one story brick and concrete block automobile repair facility that contains an enclosed area of 12,417 square feet and originally constructed at least 50 years ago. The building was razed to allow for redevelopment of the supporting land. Approximately 60% of the supporting site was paved and fenced.
<i>Sale Price</i>	\$2,440,000 based on the deed price \$1,232,000 assignment fee \$3,672,000 total acquisition cost
<i>Unit Rates</i>	\$961,508 per acre or \$22.07 per square foot of land based on total cost \$102,000 per platted dwelling unit based on total cost
<i>Financing</i>	Cash to the seller
<i>Comments</i>	<p>Sale of a regularly shaped parcel of land that is generally level, mass graded and mostly at road grade. The property is split zoned with 3.809 acres zoned R3 and the remainder zoned R2, both residential zoning classifications. Approximately 2.997 acres of the parcel lies within the limits of the Chesapeake Bay Critical Area with 0.812 acres or 34,559 square feet outside the critical area. The property is to be developed as 36 townhomes as part of the Enclave on Spa project. Petroleum contamination located on the site and the developer and the Maryland Department of the Environment agreed on a Remediation Action Plan (RAP). The property sold with all environmental approvals.</p> <p>K Hovnanian intends to offer three, three level townhomes in the development. The St. John and Hopkins models contain a living area of 2,387 square feet divided into three bedrooms and 2½ baths with a two car front load garage. The St. Mary's is larger containing an area of 2,798 square feet divided into three bedrooms, 2½ baths and a two car garage.</p>

Marketing Period Projected at less than one year; no recorded transfers of the property within the three years preceding the sale

Verified Broker, land records and inspection



View of Sale 1



View of Sale 2

Land Sale 2

<i>Project</i>	Annapolis Townes at Neal Farm
<i>Location</i>	Dorsey and Tydings Drives; Anne Arundel County TM 51A, Block 24 as Parcels 6, 8 and 45, TM 51D, Blocks 6 and 10 as part of Parcel 60 and all of Parcels 70, 391 and 392 in the Sixth Assessment District; also identified as Lots 1 through 50, inclusive, as shown on a plat entitled, "Annapolis Townes at Neal Farm" as recorded among the land records of Anne Arundel County in Plat Book 345, pages 40 through 45, inclusive; Annapolis, Maryland 21401 103 and 105 Dorsey Drive; Anne Arundel County TM 51A, Block 24 as Parcels 64 and 65 in the Second Assessment District; Edgewater, Maryland 21037
<i>Grantors</i>	Hogan Real Estate Partners, LLC as to Parcels 6, 8, 45, 60, 70, 391 and 392 Cosbeeyoma R. Thomas and Monique R. Thomas, Second Successor Co-Personal Representatives of the Estate of John W. Prann as to Parcels 64 and 65
<i>Grantee</i>	ATNF, LLC as to all
<i>Recorded</i>	29103/308 as to Parcels 6, 60, 70, 391 and 392 30085/300 as to Parcels 64 and 65
<i>Sale Dates</i>	12/10/15; 12/15/15 as to Parcels 6, 60, 70, 391 and 292 9/19/16; 9/22/16 as to Parcels 64 and 65
<i>Zoning</i>	Primarily R4, General Residence District with smaller concentrations of B2, Community Shopping District and R-1B, Single Family Residence District for Parcels 6, 8, 45, 60, 70, 391 and 392 (City of Annapolis, Maryland) C2, Commercial Office District as to Parcels 64 and 65 (Anne Arundel County, Maryland)
<i>Utilities</i>	All public
<i>Land Areas</i>	7.6506 acres or 333,265 square feet as to Parcels 6, 60, 70, 391 and 392 0.389 acres or 16,944 square feet as to Parcels 64 and 65 8.0396 acres or 350,209 square feet as combined
<i>Sale Price</i>	\$3,900,000 as to Parcels 6, 60, 70, 391 and 392 \$ 300,000 as to Parcels 64 and 65 \$4,200,000 as combined
<i>Unit Rates</i>	\$522,414 per acre or \$11.99 per square foot \$84,000 per platted dwelling unit
<i>Financing</i>	\$2,640,000 purchase money deed of trust, security agreement and assignment of contracts, leases and rents with Howard Bank at undisclosed terms; 1 st amendment to deed of trust, security agreement and assignment of contracts, leases and rents increased loan amount to \$6,187,500 with Howard Bank (all financing assumed to be at market)

<i>Comments</i>	<p>Assemblage of seven parcels that is irregularly shaped, level to sloping and mostly wooded. This portion of the property is now platted and will be developed as the Annapolis Townes at Neal Farm subdivision that includes 50 townhomes lots that range in size from 907 to 1,296 square feet with an average area of approximately 1,105 square feet or 0.025 acres. According to the seller, the combined site was purchased raw without any subdivision approvals and sold as a platted subdivision.</p> <p>Parcels 64 and 65 lie between Dorsey Drive and Old Solomons Island Road. The combined parcels are triangular in shape, level and were improved with detached dwellings in poor condition at the sale date; all improvements were razed. According to an area broker, the property will be developed with four model townhomes as part of the Neal Farm project. However, the site sold as raw acreage without subdivision approval.</p>
<i>Marketing Period</i>	<p>Parcels 6, 8, 45, 60, 70, 391 and 392 of the sale property acquired by the seller in August 2013 in two transactions with a combined purchase price of \$2,100,000 indicating a rate of \$42,000 per potential lot; Parcels 64 and 65 acquired by personal representatives in March 2015 as part of an estate sale; projected at less than one year for the purchase of the platted subdivision; no additional recorded transfers of any of the parcels comprising the sale property within the three years preceding the transfer.</p>
<i>Verified</i>	<p>Representative of Seller, Broker, land records and inspection</p>

Land Sale 3

<i>Location</i>	979 Bay Village Drive; Anne Arundel County TM 57A, Block 14 as part of Parcel 160 in the Sixth Assessment District; also identified as Lot 4 as shown on a plat entitled, "Amended Record Plat of Bay Village" as recorded among the land records of Anne Arundel County in Plat Book 350, pages 30-31; Annapolis, Maryland 21403
<i>Grantor</i>	BRIG, LLC
<i>Grantee</i>	CS Bay Village Associates LLC
<i>Recorded</i>	31701/317
<i>Sale Dates</i>	12/20/17; 12/27/17
<i>Zoning</i>	R1, Single Family Residence District (Annapolis, Maryland)
<i>Utilities</i>	All public
<i>Land Area</i>	6.302 acres or 274,529 square feet of land area
<i>Improvements</i>	None at date of sale
<i>Sale Price</i>	\$2,800,000
<i>Unit Rates</i>	\$444,303 per acre or \$10.20 per square foot of gross land area \$849.257 per acre or \$19.50 per square foot of net usable area \$31,818 per living unit
<i>Financing</i>	\$18,750,000 deed of trust, assignment of rents and leases, collateral assignment of property agreements, security agreement and fixture filing with First National Bank of Pennsylvania at undisclosed terms (assumed to be at market)
<i>Comments</i>	The property is generally regular in shape, mostly wooded with some slopes. Of the total land area, 3.005 acres are encumbered by a forest conservation easement that prohibits development of this portion of the property. The site benefits from a shared access from Bay Ridge Road and storm water management facilities. The property was purchased for development with an assisted living facility consisting of 72 typical units and 16 memory care units.
<i>Marketing Period</i>	Projected at less than one year; no additional recorded transfers of the property within the three years preceding the sale
<i>Verified</i>	Seller Representative, land records and inspection



View of Sale 3



View of Sale 4

Land Sale 4

<i>Project</i>	The Cove
<i>Location</i>	2590 Solomons Island Road; Anne Arundel County TM 51D, Blocks 15 and 16 as Parcels 91 and 165 in the Second Assessment District; also identified as Lots 1 through 50, inclusive, as shown on a plat entitled, "Broad Reach Village" as recorded among the land records of Anne Arundel County in Plat Book 350, pages 9 through 12, inclusive; Edgewater, Maryland 21037
<i>Grantor</i>	The Columbus Club of Annapolis, Maryland, Incorporated
<i>Grantee</i>	D.R. Horton, Inc.
<i>Recorded</i>	31120/154
<i>Sale Dates</i>	4/21/17; 6/30/17
<i>Zoning</i>	R10, Residential District and small area of R2, Residential District (Anne Arundel County, Maryland)
<i>Utilities</i>	All public
<i>Land Areas</i>	6.202 acres or 270,179 square feet
<i>Sale Price</i>	\$3,750,000 based on the deed price \$5,200,000 as platted
<i>Unit Rates</i>	\$13.88 per square foot or \$604,599 per acre based on the deed price \$75,000 per potential dwelling unit based on the deed price \$19.25 per square foot or \$838,378 per acre based on the platted price \$104,000 per platted lot
<i>Financing</i>	Cash to the seller
<i>Comments</i>	Property previously improved with a one story brick and concrete block with rolled asphalt roof cover fraternal building that contains an area of 6,006 square feet. The building was in fair condition when sold and was razed to allow for redevelopment of the site with townhomes. The price included in the deed represents the price for raw land without entitlements to a developer who then sold the property as platted for a premium to the builder. The platted lots include 36 sites measuring 22 feet wide by 50 feet deep and 19 lots measuring 22 feet wide by 42 feet deep. Construction is underway on the three level townhomes. The builder is offering two models and each contains three bedrooms, 2½ baths and a two car garage. The Holley contains a living area of 2,135 square feet offered at a base price of \$489,990; the Auburn is slightly larger and contains an area of 2,270 square feet that is offered at a base price of \$499,990.
<i>Marketing Period</i>	Projected at less than one year; no additional recorded transfers of the property within the three years preceding the transfer.
<i>Verified</i>	Representatives of Buyer and Seller, land records and inspection

SALES ADJUSTMENT GRID - 1707 FOREST DRIVE, BEFORE THE ACQUISITION

	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
DATE OF SALE	6/18	11/16	12/15-9/16	12/17	4/17
SIZE/ACRES	2.120	3.819	8.040	6.302	6.202
SIZE/SF	92,347	166,366	350,205	274,529	270,179
NUMBER OF UNITS	25	36	50	88	50
FRONTAGE/ACCESS	Interior	Interior	Interior/Dual	Interior	Corner
SHAPE	Regular	Regular	Regular/Triangular	Regular	Regular
ZONING	R3	R2/R3	R4/R-1B/B2/C2	R1/SE	R10/R2
TOPOGRAPHY	Level	Generally Level	Generally Level	Level/Sloping	Level
LOCATION	Annapolis	Annapolis	Annapolis	Annapolis	Edgewater
FINISHED SITE	Improved	Improved	No	No	Partial
UTILITIES	All public	All public	All public	All public	All public
SALE PRICE	n/a	\$2,440,000	\$4,200,000	\$2,800,000	\$3,750,000
RATE/POTENTIAL UNIT	n/a	\$67,778	\$84,000	\$31,818	\$75,000
CONDITIONS OF SALE	None	Assignment	Razing	None	Razing
ADJUSTED SALE PRICE	n/a	\$3,672,000	\$4,200,000	\$2,800,000	\$3,750,000
ADJUSTED RATE/UNIT	n/a	\$102,000	\$84,000	\$31,818	\$75,000
PROPERTY RIGHTS		0%	0%	0%	0%
CONDITIONS OF SALE		1%	0%	0%	1%
FINANCING		0%	0%	0%	0%
MARKET CONDITIONS		0%	0%	0%	0%
TIME ADJUSTED RATE/SF		\$102,833	\$84,400	\$31,818	\$75,400
NUMBER/TYPE OF UNITS		0%	5%	50%	5%
FRONTAGE/ACCESS		0%	0%	10%	0%
SHAPE		0%	5%	0%	0%
ZONING		-25%	-25%	-5%	0%
TOPOGRAPHY		0%	0%	0%	0%
FINISHED SITE		-5%	0%	5%	-5%
UTILITIES		0%	0%	0%	0%
LOCATION		0%	0%	0%	0%
NET ADJUSTMENT		-30%	-15%	60%	0%
INDICATED RATE/UNIT		\$71,983	\$71,740	\$50,909	\$75,400

property was provided; therefore, the area of proposed acquisition is estimated based on a right of way of 60 feet and width of the property as shown on the plat recorded as part of the deed.

DESCRIPTION OF THE SUBJECT PROPERTY AFTER THE ACQUISITION

After the proposed acquisition of the subject property, the parcel will contain an area of 1.86 acres or approximately 81,036 square feet that will be regularly shaped, level with frontage along Forest Drive and future Skippers Lane. The site is zoned R3 and serviced by public water and sewer. The property is improved by a fraternal building and related site improvements.

EFFECT OF THE ACQUISITION

The acquisition decreases the size of the subject parcel to 1.86 acres or 81,036 square feet; however, the topography, shape and access are largely unchanged. The property will retain its current use after the acquisition.

HIGHEST AND BEST USE OF THE SUBJECT PROPERTY, AFTER THE ACQUISITION

The highest and best use of the subject parcel after the acquisition is for residential development with the current improvement contributing on an interim basis only. This use is physically possible, legally permissible, financially feasible and provides the greatest return to the land.

APPROACH TO VALUE, AFTER THE ACQUISITION

The sales comparison approach is also considered in valuing the supporting land for the subject parcel of 1.86 acres improved with a fraternal building after the acquisition. The same sales are considered in projecting a value of the supporting site after the acquisition of the subject property as were considered in valuing the property as presently configured.

Adjustments

Sales are normally adjusted to reflect the property rights conveyed, conditions surrounding the sale, financing, changes in market conditions and physical characteristics, including location, zoning and size. Following is a comparison of Sales 1 through 4 to the subject property.

Sale 1 is the purchase of a site for development with 36 townhomes. Sale 1 is adjusted downward for existing approvals when sold and site status and upward for razing costs paid by the purchaser; no other adjustments are made. Sale 2 is an assemblage that is to be developed with a total of 50 residential units. Upward adjustments are made to Sale 2 to reflect the number of lots and shape and downward for the existing approvals. Sale 3 is the most recent transaction but was purchased for development with assisted living units. Sale 3 is adjusted upward for the number and type of units,

lack of clearing and inferior frontage and downward to reflect the special exception existing as of the sale date. Sale 4 is also a 2017 transaction for the purchase of townhome lots. Sale 4 is adjusted upward for razing and number of units and downward to reflect the site status.

Conclusion

On the following page is a table showing the adjustments considered in comparing the sale properties to the subject parcel. Before adjustment, the sales range in price from \$31,818 to \$84,000 per residential site. After adjustment, the sales indicate a range of \$50,909 to \$75,400 per potential residential site. Each of the sales represents a purchase of a residential lot within the general area of the subject property. The sales range in size from 3.819 to 8.04 acres and are residentially zoned. Sales 1, 2 and 3 are most comparable for location and slightly more consideration is placed on the rates indicated by these sales. However, Sale 3 is to be developed with an assisted living facility that is considered inferior to the townhome use of the subject. Some consideration is also given to the remaining sale because of the 2017 settlement date.

Based on an analysis of the comparable sales, a rate of \$72,000 per potential residential site is projected for the subject property, as presently existing. Therefore, the value of the supporting land is projected at \$1,584,000 (22 potential lots @ \$72,000 each = \$1,584,000).

The site is improved with a fraternal building and the value of the improvement is added based on the current assessed value as the improvement is not affected by the proposed acquisition of the subject property.

Therefore, the market value of the subject property is projected as follows:

Estimated site value	\$1,584,000
Value of subject building (assigned)	<u>\$ 485,500</u>
Estimated value of the subject property	\$2,069,500

**ESTIMATE OF COMPENSATION DUE
FOR THE ACQUISITION OF THE SUBJECT PROPERTY**

Estimated value - before the acquisition

Estimated site value	\$1,800,000
Value of subject building (assigned)	<u>\$ 485,500</u>
Estimated before value of subject property	\$2,285,500

Estimated value - after the acquisition

Estimated site value	\$1,584,000
Value of subject building (assigned)	<u>\$ 485,500</u>
Estimated after value of subject property	\$2,069,500

The difference between the before and after values totals \$216,000 for the acquisition of the subject property. An exposure period of not longer than one year is projected.

SALES ADJUSTMENT GRID - 1707 FOREST DRIVE, AFTER THE ACQUISITION

	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4
DATE OF SALE	6/18	11/16	12/15-9/16	12/17	4/17
SIZE/ACRES	1.860	3.819	8.040	6.302	6.202
SIZE/SF	81,036	166,366	350,205	274,529	270,179
NUMBER OF UNITS	22	36	50	88	50
FRONTAGE/ACCESS	Interior	Interior	Interior/Dual	Interior	Corner
SHAPE	Regular	Regular	Regular/Triangular	Regular	Regular
ZONING	R3	R2/R3	R4/R-1B/B2/C2	R1/SE	R10/R2
TOPOGRAPHY	Level	Generally Level	Generally Level	Level/Sloping	Level
LOCATION	Annapolis	Annapolis	Annapolis	Annapolis	Edgewater
FINISHED SITE	Improved	Improved	No	No	Partial
UTILITIES	All public	All public	All public	All public	All public
SALE PRICE	n/a	\$2,440,000	\$4,200,000	\$2,800,000	\$3,750,000
RATE/POTENTIAL UNIT	n/a	\$67,778	\$84,000	\$31,818	\$75,000
CONDITIONS OF SALE	None	Assignment	Razing	None	Razing
ADJUSTED SALE PRICE	n/a	\$3,672,000	\$4,200,000	\$2,800,000	\$3,750,000
ADJUSTED RATE/UNIT	n/a	\$102,000	\$84,000	\$31,818	\$75,000
PROPERTY RIGHTS		0%	0%	0%	0%
CONDITIONS OF SALE		1%	0%	0%	1%
FINANCING		0%	0%	0%	0%
MARKET CONDITIONS		0%	0%	0%	0%
TIME ADJUSTED RATE/SF		\$102,853	\$84,400	\$31,818	\$75,400
NUMBER/TYPER OF UNITS		0%	5%	50%	5%
FRONTAGE/ACCESS		0%	0%	10%	0%
SHAPE		0%	5%	0%	0%
ZONING		-25%	-25%	-5%	0%
TOPOGRAPHY		0%	0%	0%	0%
FINISHED SITE		-5%	0%	5%	-5%
UTILITIES		0%	0%	0%	0%
LOCATION		0%	0%	0%	0%
NET ADJUSTMENT		-30%	-15%	60%	0%
INDICATED RATE/UNIT		\$71,983	\$71,740	\$50,909	\$75,400

QUALIFICATIONS OF ANTOINETTE WINEHOLT, MAI

EDUCATION

M. B. A., University of Baltimore, 1985
B. S. Degree in Business Administration, University of Baltimore, 1981

APPRAISAL COURSES

Real Estate Appraisal Principles, 1986
Introduction to Appraising Real Property, 1986
Basic Valuation Procedures, 1986
Maryland Chapter 26, Subdivision Analysis Seminar, 1986
Capitalization Theory and Techniques, Part A, 1987
Capitalization Theory and Techniques, Part B, 1987
Maryland Chapter 26, Highest and Best Use Seminar, 1987
Case Studies in Real Estate Valuation, 1988
Valuation Analysis and Report Writing, 1988
Maryland Chapter 26, Risk Analysis Seminar, 1988
Appraisal Institute, General Certification Review Seminar, 1991
Maryland Chapter of the Appraisal Institute, Subdivision Analysis, 1994
Maryland Chapter of the Appraisal Institute, Standards of Professional Practice, Part A, 1996
Maryland Chapter of the Appraisal Institute, Standards of Professional Practice, Part B, 1996
National Uniform Standards of Professional Appraisal Practice Update Course, 2003, 2006, 2009, 2012, 2015
Commercial Development Update Seminars, 1997, 1998, 1999, 2000, 2002, 2004, 2007 and 2008
Advanced Income Capitalization, 2003
Uniform Appraisal Standards for Federal Land Acquisitions, 2006
Appraisal Curriculum Overview, 2011
Continuing education seminars and courses sponsored by The Appraisal Institute

PROFESSIONAL AFFILIATIONS

Member, Appraisal Institute, MAI Member 11746
Secretary, Maryland Chapter of the Appraisal Institute, 2007
Vice President, Maryland Chapter of the Appraisal Institute, 2006
Treasurer, Maryland Chapter of the Appraisal Institute, 2005
Regional Representative, Maryland Chapter of the Appraisal Institute, 2003-2004
State of Maryland, Certified General Real Estate Appraiser, License Number 04-220
Associate Member, Institute of Real Estate Management, 2003-Present
Member, Anne Arundel County Board of Realtors, Inc., 1988-Present
Maryland Licensed Real Estate Salesperson, 1988-Present

EXPERIENCE

1997 - Present, Real Estate Appraiser and Consultant, The Wineholt Group, Inc.
1993 - 1997, Real Estate Appraiser and Consultant, Powell and Westholm, Inc.
1985 - 1993, Real Estate Appraiser and Consultant, JDC Appraisal Services, Inc.

2015 - 2016 Qualified expert witness Maryland Tax Court

PROPERTY TYPES APPRAISED

Full narrative appraisal reports of office buildings, industrial facilities, retail centers, special purpose properties and residential development land.

CERTIFICATION OF APPRAISER

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

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

I have provided no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.

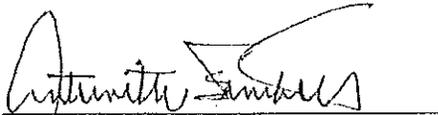
The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I have completed the requirements under 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.



Antoinette Wineholt, MAI

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.

The signatory of this appraisal report is a 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 signatory 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 signatory of this appraisal report.

***Section D:
Appendix***

THIS DEED made this 16th day of September, 1971,

by and between SOUTHERN MARYLAND OIL CO., INCORPORATED, a body corporate of the State of Maryland, of the first part, grantor, and THE AMERICAN LEGION, DEPARTMENT OF MARYLAND, COOK-PINKNEY POST NO. 141, INC., a body corporate of the State of Maryland, of the second part, grantee.

WITNESSETH that for and in consideration of the sum of Five Dollars and other good and valuable consideration, receipt whereof is hereby acknowledged, the said party of the first part does hereby grant and convey unto the said The American Legion, Department of Maryland, Cook-Pinkney Post No. 141, Inc., its successors and assigns, in fee simple, all that parcel of land situate, lying and being in the City of Annapolis and Sixth Assessment District of Anne Arundel County described as follows:

BEGINNING for the same at a point previously established that marks the northernmost corner of that conveyance from Walter L. Trott and Lillian E. Trott, his wife, to Frank B. Stallings and Cordella B. Stallings, his wife, by deed dated October 8, 1943 and recorded among the Land Records of Anne Arundel County in Liber JHH 292, folio 194. Thence from the point of beginning so fixed binding on and with said conveyance to Stallings as now surveyed and corrected for magnetic declination to 1965, South 46 degrees 46 minutes 40 seconds West 492.42 ft. to an iron pipe in the 6th or South 56 degree 19 minute 10 second East 462.11 ft. line described in that conveyance from Meyer Gilden et al to Newtowne Twenty, Inc. by deed dated March 27, 1969 and recorded among the said land records in Liber MSH 2254, folio 91; thence binding on part of said 6th line reversely, with meridian corrected, North 47 degrees 24 minutes 30 seconds West 188.51 ft. to a point which marks the beginning of said 6th line; thence leaving said 6th line and binding on the 5th line described in said conveyance from Gilden et al, reversely, with meridian corrected, North 48 degrees 16 minutes

SEP 17 1971
PAID 6.58
CLERK'S OFFICE
ANNAPOLIS, MARYLAND
RECORDED
EX-111
ST
12:00
280.00
200.00

WRIGHT AND COHEN
ATTORNEYS AT LAW
324 WEST STREET
ANNAPOLIS, MARYLAND

RECEIVED FOR RECORD
CIRCUIT COURT, A. A. COUNTY
1971 SEP 17 AM 11:52
MAX JONIE S. HOLY, CLERK

10 seconds East 484.18 ft. to an iron pipe here found on the southerly right-of-way line of Forest Drive; thence leaving said 5th line and binding on the southerly right-of-way line of Forest Drive, South 45 degrees 48 minutes 50 seconds East 59.05 ft. to an iron pin here found and South 51 degrees 24 minutes 50 seconds East 134.99 ft. to the point of beginning. Containing 2.12 acres of land, more or less, as shown on the attached plat by James D. Hoke & Associates, Inc., Registered Surveyors, dated July 1965 and revised September 14, 1971.

BEING all of the property conveyed by a deed dated July 28, 1965 from Cordelia Stallings, widow, to Southern Maryland Oil Co., Inc. and recorded among the said land records in Liber LNP 1885, folio 354.

TOGETHER with the buildings and improvements thereupon erected, made or being and all and every the rights, alleys, ways, waters, privileges, appurtenances and advantages to the same belonging or in anywise appertaining.

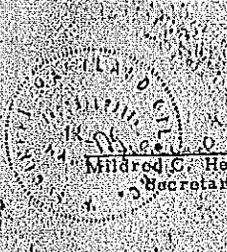
TO HAVE AND TO HOLD the said parcel of ground and the premises above described and mentioned, and hereby intended to be conveyed, together with the rights, privileges, appurtenances and advantages thereto belonging or appertaining unto and to the proper use and benefit of the said The American Legion, Department of Maryland, Cook-Pinkney Post No. 141, Inc., its successors and assigns, in fee simple.

AND the said party of the first part hereby covenants that it has not done or suffered to be done any act, matter or thing whatsoever to encumber the property hereby conveyed; that it will warrant specially the property granted and that it will execute such further assurances of the same as may be requisite.

WITNESS the corporate name of said grantor duly attested by its president and assistant secretary and the corporate seal affixed hereto.

ATTEST:

SOUTHERN MARYLAND OIL CO., INCORPORATED



By J. Blacklock Wills
J. Blacklock Wills
President

Mildred C. Head
Mildred C. Head, Assistant
Secretary

STATE OF MARYLAND, CHARLES COUNTY:

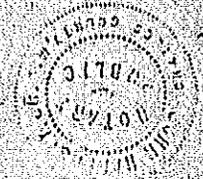
I hereby certify that on this 16th day of September, 1971, before me, the subscriber, a Notary Public in and for the state and county aforesaid, personally appeared J. Blacklock Wills, president of Southern Maryland Oil Co., Incorporated, sometimes also known as Southern Maryland Oil, Incorporated, and he acknowledged the foregoing deed to be the act of said body corporate.

As Witness my hand and notarial seal.

John Hardisty, Jr.
John Hardisty, Jr. Notary Public

Mailed to Warrant and Check

see first on following page



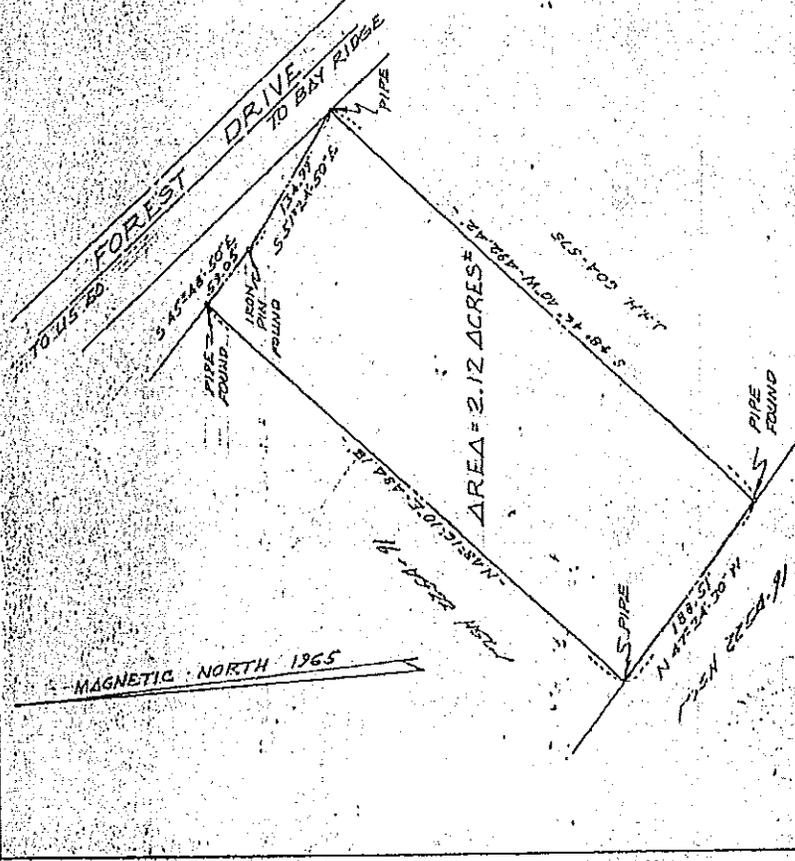
FILE # GA-2-152

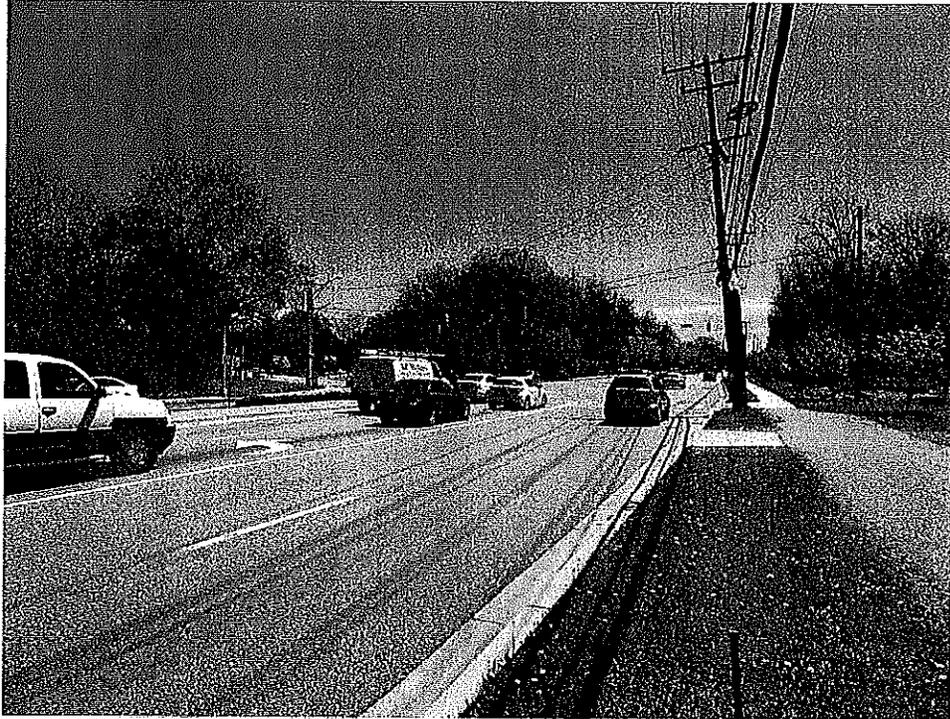
To All Persons interested
in Title to Premises shown
hereon see Land Records of
Anne Arundel County.

Libe ~~Records~~ Folio 340
See also
Plat Book _____
Page _____

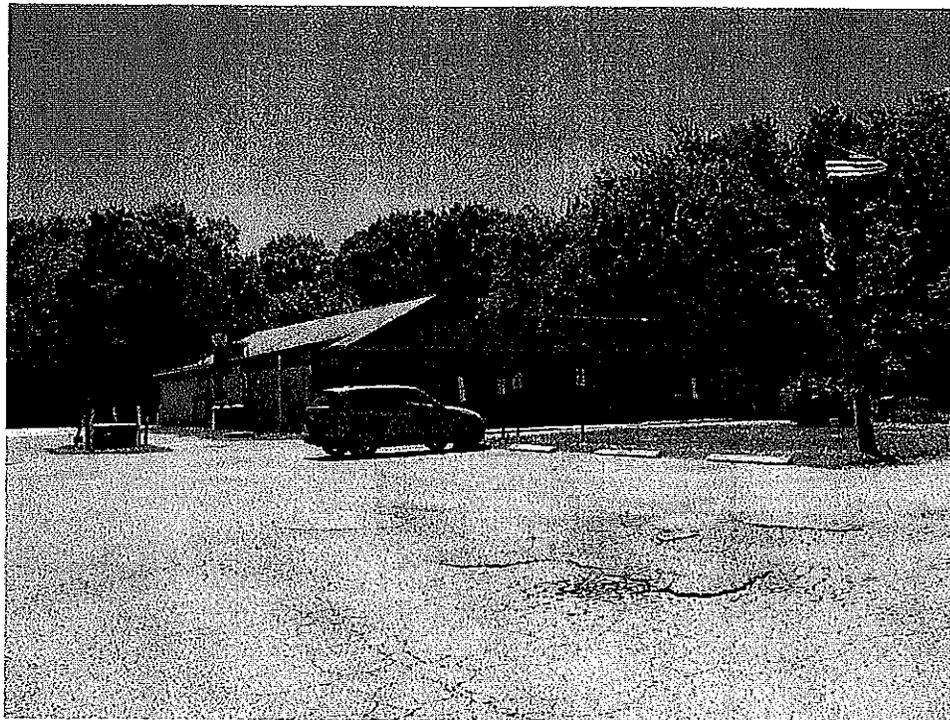
REVISED 2-27-71 JWH

JAMES D. HICKS	
REGISTERED SURVEYOR	
COUNTY SURVEYOR, A. A. CO.	
SURVEYED FOR: <i>James D. Hicks</i>	
LOCATION: FOREST DRIVE	
DRAWN BY: JTC	SCALE: 1"=100'
TRACED BY: JTC	DATE: 2-19-65
ADDRESS: BARNES BUILDING ANNAPOLIS, MD.	





View looking east along Forest Drive



View of the front of the existing building



View of the rear of the existing fraternal building



View of wooded acquisition area