

Cover

Appraisal Report

The Prescott School
145 Main Street
Groton, MA

Property of

The Town of Groton, Massachusetts

Prepared for

The Town of Groton Board of Selectmen

Effective Date of Appraisal

April 15th, 2014



Prepared by

Ellen H Anderson
Anderson Valuation
20 Dana Road
Petersham, MA 01366

Massachusetts Certified General Real Estate Appraiser #3948 (8/14/15)

Letter of Transmittal

**Ellen H. Anderson Valuation
20 Dana Road
Petersham, MA 01366**

Town of Groton Board of Selectmen
c/o Mr. Mark Haddad
Town Manager
Groton, MA

April 22, 2014

RE: Appraisal Services for the Reuse of the Prescott School

Dear Mr Haddad:

At your request I have prepared the attached appraisal report for the proposed reuse of the property known as the Prescott School. I have not performed any services on this particular property during the past three years.

Effective Date of Appraisal

The effective date of the appraisal is the date of last inspection that was April 15th 2014. I inspected the property accompanied by Town Planner, Michele Collette.

Purpose of Appraisal

The purpose of the appraisal is to determine the fair market value of the subject property "as is" under the conditions and assumptions set out in the RFP dated March 20, 2014 which is included by reference in this appraisal report.

Intended Use of Appraisal

The appraisal will be used to assist the Town of Groton in determining whether the proposed payment for the Prescott school represents reasonably fair market value. (The amount includes certain tax benefits either to the town or to the intended buyer.) The appraisal may also be used in any future planning but only as an analysis of the value of the property "as is". This appraisal is not to be used for financing purposes and the prospective buyer of the subject property is specifically not an intended user

Intended Users of Appraisal

The governing body of the Town of Groton, which is its Town Meeting, may use this appraisal solely for the purposes and uses set out above. This analysis may not be used for any other purpose whatsoever without the written consent of the appraiser.

Extraordinary Assumptions

I have not made any independent engineering or 21E studies of the subject property. I am relying upon information provided by others.

In particular, I am assuming that there will be no 21E issues that may impact the value of the property and that the Town of Groton will be able to provide the assurances set out in the response to the RFP in spite of the stated fact that there is some asbestos in the floor tiles in some locations.

Hypothetical Conditions

This analysis assumes that the subject property is re-zoned in a way that is harmonious with the surrounding area which is "Town Center Overlay District.

Based upon my research, it is my opinion that the proposal received by the Town of Groton for \$35,000 plus a ten-year TIFF and other conditions as set out in the proposal, is a reasonable representation of fair market value for the subject property.

Respectfully submitted.



Ellen H Anderson (MA Certified RE Appraiser #3948 – 8/14/15)

Table of Contents

Cover	1
Letter of Transmittal	2
Effective Date of Appraisal	2
Purpose of Appraisal	2
Intended Use of Appraisal	2
Intended Users of Appraisal	2
Extraordinary Assumptions	3
Hypothetical Conditions	3
Table of Contents	4
Scope of Assignment, Assumptions and Limiting Conditions	5
Discussion of the Appraisal Problem.	5
Scope of Services	6
Limiting Conditions	7
Definition of Market Value Used in this Report	8
Conformity to USPAP	8
Property Identification	9
Local Data and Market Conditions	9
Previous Marketing Studies	9
Current Market Data from the Banker and Tradesman	10
Reasonable Exposure Time	11
Site Data	12
Background	12
Site Description	12
History of Site Use	12
Zoning	13
Assessment	13
Analysis and Conclusions	14
Highest And Best Use	14
Definitions	14
Highest and Best Use as if Vacant	14
Highest and Best Use as Presently Improved	14
Valuation	16
Discussion of Valuation Process for this Appraisal	17
Application of the Three Methods of Value to the Current Assignment	18
Conclusions and Reconciliation	23
Certification of Value Conclusions	24
Addenda Sections	25
Appraiser Qualifications	25
Documents either attached or incorporated by reference into this report.	26

Scope of Assignment, Assumptions and Limiting Conditions

Discussion of the Appraisal Problem.

The appraisal process is defined as “A systematic procedure employed to provide an answer to a client’s question about value” (the Appraisal Institute’s *The Appraisal of Real Estate*, Chicago, 2001.) The appraisal process generally involves five steps.

1. Define the problem to be solved;
2. Determine the scope of work;
3. Collect, verify and analyze all relevant information;
4. Reconcile the quality and quantity of the information analyzed and
5. Report the assignment results.

The valuation process follows a logical pattern of acquiring, organizing, analyzing and presenting data which support the appraiser’s final estimate of value. First the appraiser identifies the appraisal problem by identifying the real estate, the date of the valuation, the property rights being appraised and the type of value required.

Next, all of the factors that might affect the property’s value are collected, organized and evaluated. These factors include

- area and neighborhood analysis
- site and improvement analysis
- highest and best use analysis

Then, the appraiser applies the traditional “three approaches to value”: the sales comparison or market data approach the cost approach and the income capitalization approach. Finally, the appraiser reconciles or correlates all of the above value indications considering the relative importance of each one and giving the most weight to the approach that appears to offer the best solution to the appraisal problem. In all cases, the information must be derived from and related to the market, since the appraiser is trying to interpret and anticipate the actions of buyers and sellers in that market.

In the present assignment, the subject property is an historic building whose use as a public school can no longer continue. The Town of Groton has undertaken a marketing study of the surrounding area and has recently focused on local objectives for reuse of the building. The Town of Groton most recently prepared a Request for Proposals that specifically excludes housing as a potential re-use. Only one proposal has been received which means that terms and conditions cannot be compared as would be most desirable. Therefore, the problem to be solved by this appraisal is to find similar properties in other reasonably similar towns so that the Town of Groton can decide whether the proposal they have received is reasonable and appropriate.

Scope of Services

- Review of town documents related to the Prescott School including the RFP and the Reuse Study.
- Review of RKG Marketing Study
- Review of Town of Groton Reuse Study Committee Report 2010
- Discussion of Marketing with Local Brokers
- Review of Recent Local Sales and Listings
- Inspection of Prescott School and Surrounding Area in Groton
- Research into recent surplus and disposition of public buildings in other Massachusetts Towns. (Scope did not include a physical inspection of these sites due to limited time for performance of this report. However I have confirmed the facts surrounding these transactions with local officials and/or parties to the transaction to the best of my ability and am satisfied that they are reasonably accurate.)

Limiting Conditions

The certification of the Appraiser appearing in this appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

1. The Appraiser assumes no responsibility for matters of a legal nature affecting the property as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in this report is included to assist the reader in visualizing the property, and the Appraiser assumes no responsibility for its accuracy. The Appraiser has made no survey of the property.
3. The Appraiser is not required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefor.
4. Any distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Any separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. The Appraiser assumes no responsibility for such conditions or for engineering that might be required to discover such factors. In particular, the appraiser is not qualified to assess the safety or structural integrity of the physical structures present on the subject property.
6. In this appraisal assignment, the existence of potentially hazardous material, such as toxic waste, which may or may not be present on the property, was not observed by the appraiser; nor does she have any knowledge of the existence of such materials on or in the property except as otherwise noted herein. The Appraiser, however, is not qualified to detect such substances. The existence of potentially hazardous waste material may have an effect on the value of the property. The Appraiser urges the client to retain additional expertise in this field if desired.
7. Information, estimates and opinions furnished to the Appraiser and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraiser can be assumed by the Appraiser.
8. Disclosure by the Appraiser of the contents of this appraisal report is subject to review in accordance with the by-laws and regulations of any professional real estate or appraisal organizations of which the Appraiser may be a candidate or a member.
9. Neither all nor part of the contents of this report, or copy thereof (conclusions as to property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which she is connected) shall be used for any purpose by anyone but the client or its assigns without the previous written consent of the Appraiser; nor shall it be

conveyed by anyone to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the Appraiser. However, this should not be interpreted to prohibit government agencies identified herein as intended users from complying with the Freedom of Information Act.

10. This assignment was undertaken for the client (s) specified herein. The Appraiser does not recognize or assume any duty to persons other than that client in the formulation of this report and its conclusions. The client(s) may make such reasonable use of this report as is consistent with the purpose and function of the report, but any third or other party into whose possession the report may come should not assume that its rationales or conclusions will serve any other client or function.

Definition of Market Value Used in this Report

A. The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. *United States v. Cartwright*, 411 U. S. 546, 93 S. Ct. 1713, 1716-17, 36 L. Ed. 2d 528, 73-1 U.S. Tax Cas. (CCH) ¶ 12,926 (1973) (quoting from U.S. Treasury regulations relating to Federal estate taxes, at 26 C.F.R. sec. 20.2031-1(b)).

B. Market Value(1) (The definition agreed upon by agencies that regulate federal financial institutions in the United States) 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 best interests; 3. a reasonable time is allowed for exposure in the open market; 4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

C. Market Value(1) (A current economic definition) "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

(1) The Dictionary of Real Estate Appraisal, Third Edition, The Appraisal Institute, 1993

Conformity to USPAP

This report is intended to conform to the Uniform Standards of Professional Appraisal Practice dated 2014-15. *I am competent to perform this assignment by*

virtue of previous experience and education.

This appraisal does not use the cost or income approaches to value. This is because these approaches would not generally be considered meaningful in appraising a property of this type and for the purposes defined herein. The sales comparison approach did prove instructive in establishing a range of values. I believe that the appropriate approach to value is reliance upon the sales data approach and that all methods and techniques were correctly employed. This report has been prepared in accordance with Standards Rule 1-1 and 1-5 and Standard 2-2(a) of the USPAP.

Property Identification

The subject property is identified by the Town of Groton Assessors as Parcel 43 on Map 113. Its street address is 173 Main Street. No deed reference is listed.

Local Data and Market Conditions

Previous Marketing Studies

I have reviewed the 2008 Marketing Study performed by RKG Associates in connection with zoning changes in the Station Avenue Redevelopment area adjacent to the Groton Electric Light Department.

That study included an inventory of nonresidential uses along Main Street in Groton in order to better understand the potential for future commercial and residential development at the site.

Population growth between 2007 2012 was projected to be 3%.

Market strengths in food dining and drinking were noted. Also numerous business professional and medical service uses in the center of town in-home conversion settings were considered to be important. Residential condominium units were considered to be problematic (and recent market trends have confirmed that conclusion.) At the time area real estate professionals noted a potential need for well-planned apartment development in Groton.

Potential retail would include the types of shops and stores catering to the strengths already present in Groton. These uses were project to include restaurants - specialty food markets and a tavern perhaps with entertainment capacity. The study noted that the area would support 42,500 square-foot two-story apartment building this would allow for 30 apartments at 1200 ft. each competitive to the surrounding market and an approximate 15% allowance for common area.

The study also noted that most of the sales activity upon which they rely comes

from larger urban markets. They noted that development in the station have an Avenue area might require development incentives or considerations that the town of Groton could offer to encourage the project. These might include infrastructure improvements, assistance in acquisition and assemblage costs and some tax increment financing revenues to assist in soft cost and site work expenses. In particular they noted the proposed parking at the Station Avenue site would be a form of town parking as opposed to project specific parking. In fact they suggested that there might be some form of bonding on the town's behalf in order to assist and have the town become a partner in the redevelopment of the station Avenue site.

Current Market Data from the Banker and Tradesman

In many important ways, the local economy in Groton is still stronger than in the rest of Middlesex County and the market region. Traffic counts in 2003 indicated 20,000 autos counts in both directions per day. There is no indication that these counts have declined.

Commercial vacancy rates are a bit higher than one would like to see given that the use required for the Prescott School is non-residential. The market study from 2008 projected that about 22,000 SF of retail space could be accommodated in the Station Avenue area. It is not clear how much more demand there will be that could be satisfied in the Prescott School.

Demand for additional office space is also somewhat problematic. For example, a nearby office building at 3-8 Hollis Street has had unfilled spaces for two or three years. Local brokers can offer other examples.

A review of commercial listings in the Multiple Listing Service reveals that there are nine commercial properties listed for sale or rent in Groton. The typical rent is about \$10 PSF.

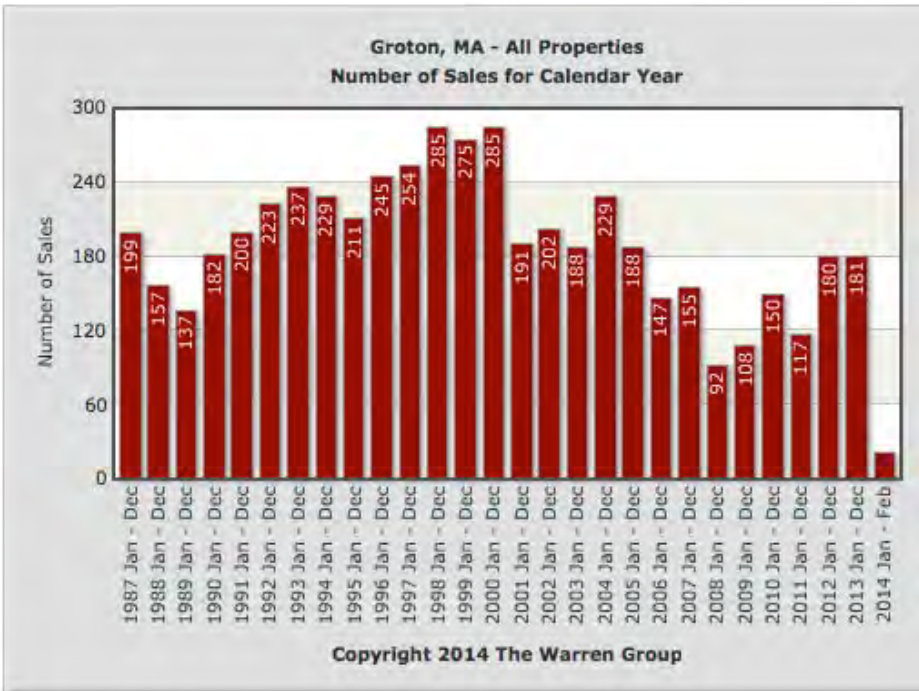
Unemployment and foreclosure rates are still higher than they were prior to 2008 but both are lower for Groton than for Middlesex County as a whole.

Median Household Income has increased from \$101,996 in 2007 to \$117,903 in 2014. During the decade from 2000 through 2010 population has increased from 9,547 to 10,646 (+11.51%). Total households have increased from 3,393 to 3,989 (+17.57%) The real estate recession of 2008 has resulted in a slower rate of sales, a higher vacancy rate for residential real estate and lower median sales prices for all classes of properties. Charts on the following page indicate that residential sales numbers and values are at about 2004 levels.

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Groton, MA - % Change Median Sales Price - Calendar Year

Year	Period	1-Fam % Change Prior Year	Condo % Change Prior Year	All % Change Prior Year
2014	Jan - Feb	-15.19%	1.21%	-22.86%
2013	Jan - Dec	3.45%	16.16%	4.09%
2012	Jan - Dec	5.38%	-2.73%	-3.58%
2011	Jan - Dec	-8.04%	14.92%	-0.08%
2010	Jan - Dec	-2.65%	-2.59%	-7.06%
2009	Jan - Dec	3.94%	-21.89%	1.49%
2008	Jan - Dec	-20.38%	-30.40%	-3.90%
2007	Jan - Dec	9.61%	-7.41%	-5.87%
2006	Jan - Dec	-3.07%	24.91%	-7.05%
2005	Jan - Dec	3.74%	2.74%	7.32%
2004	Jan - Dec	-3.19%	-4.36%	-4.64%
2003	Jan - Dec	20.05%	22.49%	22.41%
2002	Jan - Dec	13.49%	13.96%	5.80%
2001	Jan - Dec	-4.18%	-6.19%	0.33%
2000	Jan - Dec	12.91%	45.83%	10.30%
1999	Jan - Dec	15.98%	-4.00%	14.50%
1998	Jan - Dec	17.98%	45.63%	15.93%
1997	Jan - Dec	-2.92%	-28.22%	1.57%
1996	Jan - Dec	0.00%	5.32%	1.83%
1995	Jan - Dec	12.28%	3.22%	21.73%
1994	Jan - Dec	7.07%	7.10%	3.16%
1993	Jan - Dec	16.14%	-11.65%	24.73%



Reasonable Exposure Time

Based upon all of the above, I conclude that reasonable exposure time for a well priced property is from 6 to 9 months.

Site Data

Background

Like many towns in Massachusetts, Groton has in its town center a fine old brick building that has served municipal purposes in the past and is now surplus to the town's needs. The building is historically important and the town is anxious to preserve it and to put it to productive use. This is especially important since the building is in the center of the very well preserved historic town. Its preservation and reuse will benefit the town of Groton and its citizens.

Groton wisely undertook a study of what the town would like to have the building used for in the future and then analyzed the cost of the preferred choices. The report was impressive and detailed. Clearly the town has devoted considerable volunteer and tax payer resources to this project. The cost to implement the preferred alternatives was in the \$5 to \$6 million dollar range. In 2008, as part of planning for the rezoning of the Station Avenue Area, the town did perform a demand analysis. This was prior to the real estate recession in 2008 and the conclusions can be applied to the present time in most respects. However, one of the consequences of that recession was an increased demand for rental housing, especially for people who fear buying into an unstable or even a declining housing market.

Following an extensive public process to gather public preferences, factual information and estimated costs to implement reuse proposals, the town of Groton issued a request for proposals under state Chapter 30B. After extensive publicity, only one response to the request for proposals was received. Under the present circumstances however the town wishes to reassure itself that the proposed price represents fair market value for the town and its citizens.

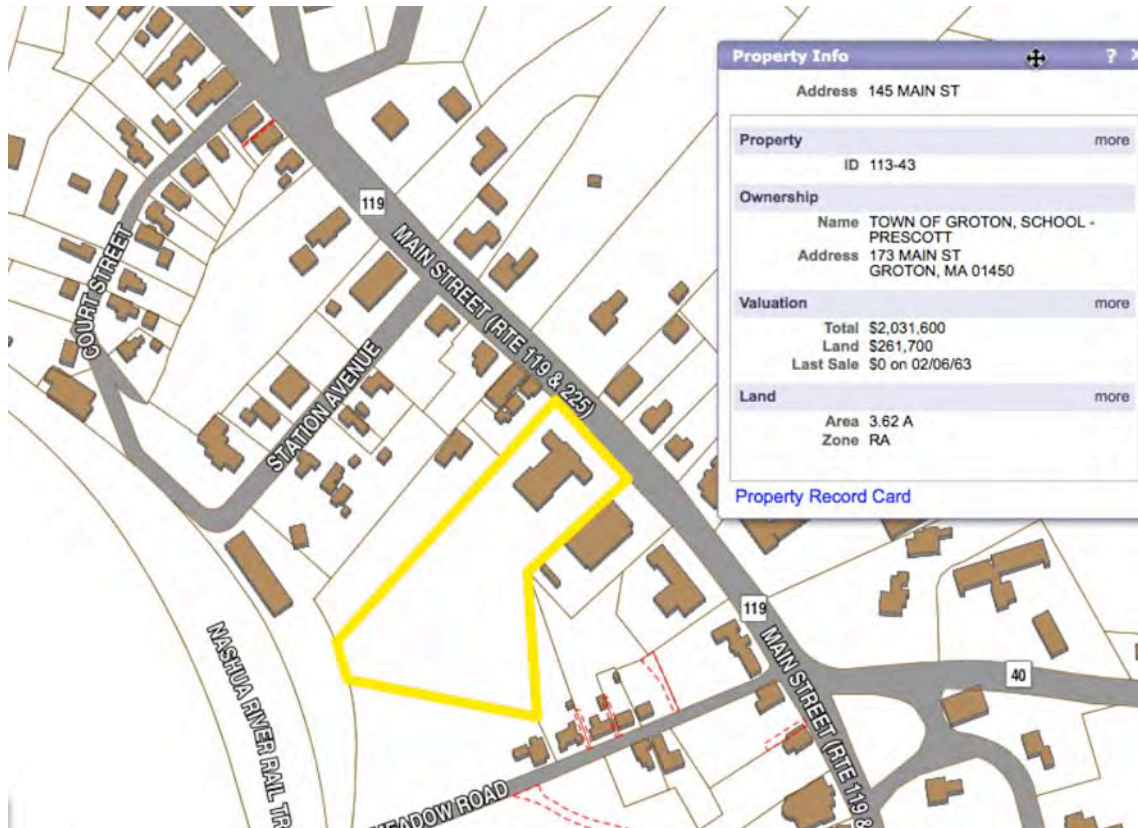
Site Description

The subject property, known as the Prescott School, is a 3-story traditional brick institutional structure dating from 1927, with 27,330 SF of gross building area and 18,400 SF of net useable space (consisting of classroom and office space.)

Because the physical structure and its condition are very well documented in the the recent Reuse Report and the Prescott School RFP, I will not repeat a lengthy physical description. The Prescott School RFP is incorporated by reference into this report.

History of Site Use

The property has been used as an elementary school, a middle school and a high school. Currently it is being used for as office space for the regional school district.



Zoning

Zoning is "Public Use" however much of the surrounding area has recently been rezoned as Town Center Overlay District. The project will require rezoning to Business or to Town Center Overlay District. This report assumes that a zoning change of that nature has been approved.

Assessment

According to the local GIS maps provided by the Town of Groton Assessors, the Prescott School property is assessed at \$2,031,600, with the land portion assessed at \$261,700. Assessments are performed according to "mass valuation" standards and do not always provide a good indication of market value as defined in this report. If a property owner is dissatisfied with an assessment, it is his/her responsibility to file for an abatement. Since the Town of Groton School Buildings are exempt municipal uses, their assessed values do not bear much relation to their value should their uses be changed and the structures be offered to the market. In other words, this assessment makes sense only so long as the property remains in public use.

Analysis and Conclusions

Highest And Best Use

Definitions

Highest and best use may be defined as the “reasonably probably and legal use of a property that is physically possible, appropriately supported, financially feasible and that results in the highest value.”

Highest and Best Use as if Vacant

Not applicable to the current assignment

Highest and Best Use as Presently Improved

This is defined as the use that should be made of a property as it exists. An existing property should be renovated or retained “as is” so long as it continues to contribute to the total market value of the property or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. This is an “as is” appraisal.

Legally Permissible

Legally under present zoning regulations, the subject property could only be put to a public use. However, this analysis is based upon the Hypothetical Condition that the site has been re-zoned to the Town Center Overlay District. Therefore, the current zoning does not represent a limit to development.

The historic character of the property imposes additional legal restrictions upon the subject property.

The RFP itself imposes a legal restriction since it states that the property may be put to any use except for housing.

Physically Possible

The building is in sound condition and has been well maintained. Renovation into residential and commercial uses is physically possible. Utilities are available to the site. There are wetlands adjacent to the site but they do not appear to present an impediment to the requested reuse of the building.

Financially Feasible

Generally the reuse of a public building that is older and non-compliant with current State Building Codes requires some sort of public subsidy - especially if there are reuse restrictions. This is the case because the amount of money required to comply with regulations for most legally and physically allowable uses is greater than that which can be profitably expended. Analysis of the re-use potential of the property suggested that any renovations, no matter their purpose, were likely to cost at least \$5,000,000.

In large urban areas or city/town centers where the demand for new housing is

high, state and even federal subsidies may be available for favored uses. Once these subsidies are in place, the locality is able to assess the building based upon its nominal return and generate increased tax flows that were non-existent prior to re-use.

In smaller localities the scale of feasible or desirable development tends to be lower. Financing is less available and often is entirely private. Since 2008, bank financing can be difficult to obtain. In these cases, the public subsidy is generally reflected in a selling price that is well below assessed value. It also tends to be reflected in municipally funded infrastructure improvements or special tax incentives (TIF or Tax Increment Financing) Once the project achieves stabilized occupancy the municipality no longer needs to spend money to fund building improvements and begins to receive tax dollars.

The Town of Groton is aiming to strengthen local business activity in its town center and does not wish to allow housing. There is some demand for small scale commercial uses in the town center area as is evidenced by recent activity at the Station Avenue site and along Main Street where there a new mixed use development underway. However, vacant office space does exist in the town center area so the build out of commercial space must be carefully planned.

Maximally Productive

The RFP states that the property may be put to any use except for housing. Otherwise, most marketing experts agree that rental housing would represent highest and best use. A previous RFP on Prescott suggested envisioned an inn. The RFP was advertised. It got a lot of interest but no proposals. Under these circumstances, the obvious conclusion is that the highest and best use of the subject property is the proposed use which is commercial office space with a possible retail component.

Valuation

The valuation process follows a logical pattern of acquiring, organizing, analyzing and presenting data which support the appraiser's final estimate of value. First the appraiser identifies the appraisal problem by identifying the real estate, the date of the valuation, the property rights being appraised and the type of value required.

Next, all of the factors that might affect the property's value are collected, organized and evaluated. These factors include

- area and neighborhood analysis
- site and improvement analysis
- highest and best use analysis

Then, the appraiser applies the traditional "three approaches to value": the sales comparison or market data approach the cost approach and the income capitalization approach. Finally, the appraiser reconciles or correlates all of the above value indications considering the relative importance of each one and giving the most weight to the approach that appears to offer the best solution to the appraisal problem. In all cases, the information must be derived from and related to the market, since the appraiser is trying to interpret and anticipate the actions of buyers and sellers in that market.

Cost Approach

The cost approach is a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure, deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. Since the property is older, the cost approach will not yield reliable results and no one would rely upon it.

Income Capitalization Approach

The income approach is defined as a set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. This assignment is appraising the subject property "as is" and doing a pro-forma analysis of its income potential is beyond the scope of the assignment and would not yield a meaningful result.

Sales Comparison (Market Data) Approach a.k.a. Direct Sales Comparison Technique

The Market Data Approach which is grounded in the 'Direct Sales Comparison Technique' is based on the proposition that an informed buyer will pay no more for a property than the cost to him of acquiring an existing property with the same utility. Using this method, the appraiser analyses sales of similar properties and adjusts for differences from the subject in order to find a comparative indication of market value. The comparison of sales results in an indication value for the property being appraised.

Discussion of Valuation Process for this Appraisal

Since virtually every city and town in Massachusetts has a centrally located public school building dating from the late 19th and early 20th century, most towns have faced the problem of reuse in the past or are preparing to face it in the future. I have searched for relatively recent projects where towns and smaller cities have offered their historic school buildings for re-use and I have looked at the approaches they have taken and the consideration they have received both in terms of direct financial payment and fulfillment of community objectives. I have looked also for projects that were less than totally successful or that are still in progress. I have also looked at other dispositions of public property in the Town of Groton.

In evaluating the various properties for comparison to the Prescott School I am evaluating the entire transaction and I find the following attributes to be the most important variables:

- Type of allowed use and restrictions on use (since acquisition price is directly linked to the preferred uses in the RFP. Generally, the greater the restrictions on reuse, the lower the acquisition price will be.)
- Ability to generate immediate cash flow or utility so that the renovations can be phased lowering financing costs.
- Restrictions in addition to use (for example, historic preservation requirements.)
- Financial condition of town to support market development of any kind and to be able to accept high intensity projects that can receive state subsidies.
- Condition and size of structure
- Ability to obtain subsidized financing
- Benefits to the buyer such as tax incentives, public improvements etc.
- Benefits to the community such as infrastructure improvement and public facilities such as parking

Application of the Three Methods of Value to the Current Assignment

Unit of Comparison

As previously explained, only the Sales Data approach to value is appropriate for this assignment. The “unit of comparison” is the “price per property” rather than the “price per square foot” or price per rental unit.

I have found six properties outside of Groton that are listed below. I have also looked at the three properties in the Town of Groton that are currently being declared surplus to public needs and offered to the private market place for reuse.

Comparable Properties

Comparable #1: 51 Allen Street, Greenfield. A developer, Jebola Properties, Inc., purchased the property on June 9, 2011 at auction from the Town of Greenfield (as recorded in Book 6027 page 341) for \$72,000. Subsequently Jebola decided that he could not make the deal work and he sold the property to Olive Street Development LLC, (Barbara and Mark Zaccheo) for \$80,000 on 1/18/2012.

The property is a brick school house circa 1930 that is being converted into a 12 unit apartment building. It has a gross size of 11,937 square feet, and a net rentable area of 8,493 square feet on a site containing .84 acres. The Greenfield Assessors reference it as Map 83 Lot 1 and show a deed reference as Book 6130 page 108 at the Franklin County Registry of Deeds. It was to be built out into 12 small luxury apartments with a living area of about 1,000 SF. Olive Street LLC was able to obtain the financing that Jebola could not. I spoke to Greenfield Planning Director, Eric Twarog 413-772-1549 about the deal. Zoning permits were in place and, though the building was old, it was not considered historically significant and there were no use restrictions of any kind. Greenfield is the seat of Franklin County and there is a shortage of upscale rental housing. The developer is local and the town is “delighted” with the outcome of this sale. There were no special incentives offered to the Town of Greenfield and, as previously stated the building was sold at public auction.

Had there been restrictions, the sale price would likely have been lower. Although the Town of Greenfield is a poorer community than Groton, the downtown area houses a strong commercial area around the Franklin County Courthouse and there is strong demand for upscale rental housing. The sale price of \$72,000 had no strings attached, unlike Groton where there are historic restrictions and housing is not an option. Therefore, this sale is superior.

Comparable #2: 140 Pine Street, Northampton sold from the City of Northampton to 40 Main Street LLC, (Robert Gougeon) on 8/22/2013. The sale is recorded in Book 11434 Page 78 at the Hampshire County Registry of Deeds for \$321,500. This is the two-story brick school building known as the Florence Grammar School. It was built circa 1930 on a lot of 2.22 acres. The building has two above grade floors with a total size of 24,040 square feet. In addition there is

a partially below grade floor that has a mix of rental units and storage areas. The property is listed in the assessors records as map 23A lot 145. It lies within the OI (Office Industrial) zone. There were 12 rent paying tenants at the time of sale including a yoga studio, several offices and artists studios. There had been a great deal of publicly financed rehab, so many of the units were in very good condition. The building had many new windows. Local broker, David Murphy, was involved in the deal. He reports that all of the uses were grandfathered and that the building was able to support itself without public subsidy. However, this was at least partially due to expensive public investment in the physical structure prior to that time. The school department had never stopped using the building for some classroom purposes and they had also rented out space to private businesses. All the building really needed was a new heating system.

Thus the selling price represented market value. Because this building was occupied and needed very little renovation it is clearly superior to the subject property.

Comparable #3: 1403 Massachusetts Avenue, Lexington is leased to its current tenants for \$24,000 per year. This is the Monroe School owned by the Town of Lexington and built circa 1905. The Town of Lexington surplused the Munroe School about 1981. In the beginning, local cable TV and a Christian organization used the building. A group of Lexington artists and arts educators known as ARTS/Lexington began to manage the building in 1984. In 1994, that organization was replaced by Lexington Friends of the Arts, doing business as Munroe Center for the Arts. According to Linda Crew Vine, Deputy Town Manager, (781-862-0500,) the town really does not want to be in the rental business but the Monroe Center is not in a position to undertake the financial burden of rehabilitation of the school. This was discovered when the town issued an RFP and tried to find a buyer who could afford to undertake necessary and expensive renovations. Tenants of Munroe Center for the Arts pay triple-net rents and market rates for the old school building they inhabit. (Schools pay \$16 SF and artists pay \$13.5 SF for their studio spaces.) After putting out an RFP for reuse and finding that the Munroe Center for the Arts could not afford to buy the building and renovate it, the Town signed a license agreement (temporary lease) in June 2009 for \$24,000/year, retroactive to October, 2008.

Only minor improvements can take place here without triggering the imposition of the State Building Code. The Town of Lexington is fulfilling residents' preference for arts and education but is not getting any tax revenue and the building cannot undergo needed renovations.

The Town of Lexington has strong demand for housing and moderate demand for small business space. However, local preference is to retain the property as it is. This amounts to a public subsidy for the use of the property for the arts and is recognized as such. This option is likely not acceptable to the Town of Groton but it is the kind of interim solution that may have to be considered if a buyer with

adequate financing cannot be found or if residents decide to continue public use.

Comparable #4: 15 School Street, Montague Center School, Montague. This is an historic brick building of 26,000 square feet on 2.86 acres of land. The footprint of the building could not be expanded without significant design, cost and regulatory resistance. Approximately 34% of the land area is wet. The first RFP was issued in May 2010 and no proposals were received. A second RFP was issued in early 2014. This time the Olive Street Development LLC (successful developers of the school in Greenfield) proposed 22 residential units containing from 400 to 700 SF each. This proposal is meeting with strong local resistance since it would double the size of the immediate neighborhood in this rural town. Residents of Montague Center recognize that the market for this type of rental housing will be nearby students in Amherst. The market likely will support such a proposal since it is within the 5-college area of Amherst where there is a chronic shortage of rental housing. It is likely that the neighbors would support a mixed use project or even offices, but this use does not appear financially feasible in this small residential area. The Town Meeting changed the area zoning to mixed use and the town spent nearly \$200,000 to install a new roof, a large new water pipe and other improvements in order to attract a developer. The local zoning board issued a variance allowing very small apartment sizes. Local residents sued and won but Town Meeting again changed the zoning to accommodate the developer. Even so, the developer is having difficulty meeting State Fire Code requirements according to local residents. Public water is available but pressure will not reach the second floor. It is likely that the scale of this project makes it financially feasible but politically unpalatable. This project is currently on hold.

This proposal, at \$50,000 is consistent with the offer in Groton. Uses include housing, which is superior to Groton. The building is in similar condition and there are no use restrictions so it is only very slightly superior.

Comparable #5: 75 South Main Street, Sharon. This is the Charles R. Wilbur School. It is a 53,600 SF building in Sharon's downtown business district. The Wilbur School served the town as a school and meeting place until it was closed in 1981. The building remained vacant for nearly thirty years before the town voted for it to be re-used as 75 units of mixed-income housing. The Selectmen were authorized to negotiate for reuse by Town Meeting in 2006. The property was not sold but was leased for 75 years at an annual fee of \$110,000 to be adjusted every five years. The following information was taken from the project's website: "The school's exterior Colonial Revival architecture was restored while the addition has been designed and built to both match and stand apart from the historic original structure. Prellwitz Chilinski Associates, Inc., and Mercedes Farrando of Beacon Concepts LLC collaborated on the design of the renovation and addition. Fifteen units have been designated affordable and rented to households earning up to 50 percent of the area median income. Of those 15 units, the developer has set aside three for households earning up to 30 percent

of the area median income. All affordable units have been committed to. An additional seven units are designated as workforce housing and rented to households earning up to 100 percent of the area median income. Beacon Communities put together financing for this project during the depths of the economic crisis, when the tax credit and bond markets were stalled. Part of the \$29 million project is financed through federal and state low-income housing tax credits and historic rehabilitation tax credits, which were purchased by AEGON USA Realty Advisors, LLC to generate more than \$15 million in equity financing. MassDevelopment has also issued \$14 million in tax-exempt bonds for construction and permanent financing, which was underwritten by RBC Capital and guaranteed by Bank of America during the construction phase and by MHP upon completion and occupancy of the project. This financing enabled the developers to borrow funds at an "all-in" interest rate of 4.11 percent that is fixed for the first 12 years of the 18-year term of the loan. This bond financing was offered through the Massachusetts Tax-Exempt for Credit Financing Program (MATCH), which makes low-rate, tax-exempt bond financing available for affordable rental housing developments from \$2.75 million to \$15 million. MATCH combines MassDevelopment's ability to raise money through tax-exempt bonds with MHP's ability to bring in private-sector financing, in this case crucial letters of credits from its funding banks. These letters of credit back the bonds and allow them to be AAA-rated, providing the borrower the lowest possible interest rates."

The property is completed and assessed at \$11,053,700. There was a TIF in place until final occupancy permits were issued. The town is now able to collect taxes. This is an example of a massive public subsidy for a use that was preferred not only by the town but by the Commonwealth of Massachusetts. It provides housing at a scale that makes it attractive to developers but likely not appropriate or feasible in a small town center. It is superior to the subject in size, utility and ability to attract finance.

Comparable #6: This is the Asa and Elizabeth Packard House on Main Street in Easton. This is not a brick school building but it is a town property in an historic district that has been offered for commercial use via an RFP. It is in the process of being sold for \$151,000, plus legal/back taxes/betterment fees. The betterment fees are due to the fact that it will be able to connect to a newly created public sewer. (Main Street has recently been rebuilt as Easton's first wastewater treatment facility, developed in conjunction with the Shovel Works Redevelopment.) There was a mix-up in the Central Register posting and the project had to go out for proposals twice. The first time there were two offers and this was the low offer. The second time this was the only one but this developer had made the same offer for the first RFP and at that time was informally considered to have made the most responsive offer even though it wasn't the highest price.

According to Wayne Beitler Community Planner 508-230-0645, the façade of the building will be retained or recreated, with local historic district commission review and approval, and the property will become a restaurant. It is subject to

strong historic protection that is set out in the RFP. This is a small building that is made of wood in an area where there is strong demand for high end dining. Because of the scale of the project it is much more financially feasible than the renovation of a very large brick building. Zoning is for mixed uses and residential use may co-exist with commercial.

7-10 Town of Groton projects: The town of Groton is in the process of surplusng 4 buildings. All are historic and ail have facade restrictions. But the Prescott School is the only one in the historic district. In addition to the Prescott School there are:

Comparable #7: The Tarbell School in West Groton, Tarbell school buyer walked away even though all permits were in place. Use didn't require rezoning. It was daycare and private education.

Comparable #8: Center Fire Station Fire station is in public use district and town center overlay district. Rezoning not required. There were several responses to the RFP for this project. The high bidder proposed to pay \$100,000. This will be a mixed use development related to bikes and there may be either residential or offices as part of the development. Residence is allowed here but not in Prescott School. Building is in same general condition as the schools. It is historic and it is part of a station area plan.

Comparable #9: The Squannacook building has been vacant for 5 years. This building was proposed for 4 housing units but was voted down at town meeting due to local opposition.

Comparable #10: Rivercourt in West Groton was sold in 1999 for \$1. It was an old paper mill. It was sold to Capstone for assisted living and health related offices. There was a 20 year TIF.

Project Name	Address	Town	\$ Sale/Rental Price	Other Conditions	Community Benefits	Use Restrictions	Other Restrictions	Cash Potential	Local Market	Gross SF	Condition	Current Situation
Subject: Prescott Sch	Main St.	Groton	\$35,000	TIF for 10 years	Municipal Parking	Residential prohib.	Historic Pres. District	None	Moderate business		Average	Under consideration
1 Greenfield Sch	51 Allen St.	Greenfield	\$72,000	Market Sale - none	No special benefits	Residential Zoning	None	None	Strong housing	11,937	Average	12 market rental units
2 Florence Grammer	140 Pine St.	Northampton	\$321,500	Market Sale - none	No special benefits	Office Industrial Zone	Façade Restriction	Good	Existing Business	24,040	Good	12+ business renatal
3 Monroe Sch	1403 Mass Ave.	Lexington	\$24,000 annual rent	Short term lease	Town preference for arts	Public use	None	Moderate	Strong housing	27,000	Average	Monroe Art Center
4 Central Sch	15 School St.	Montague	\$50,000	RFP	No special benefits	mixed use imp	None	None	Strong housing	27,000	Good	Vacant & stalled
5 Wilbur School	75 S. Main St.	Sharon	\$110,000 annual rent	75 year lease	Affordable Housing	Mixed income housing	Historic tax credits	None	Strong housing	53,600	Poor	75 units occupied
6 Packard House	Main St.	Easton	\$151,000	back taxes & fees	Historic Preservation	Mixed Uses allowed	Historic Pres. District	None	Strong small bus.	6,092	Poor	Will be restaurant
7 Tarbell Sch	73 Pepperell Rd.	W. Groton	\$35,000	NA	No special benefits	Daycare/private ed.	Façade protection	None	Moderate housing	NA	Average	Financing not available
8 Center Fire Station	Station Street	Groton	\$100,000	NA	No special benefits	Mixed Uses Allowed	Façade protection	None	Housing/business	NA	Average	Privately financed
9 Squannacook Sch	163 West Main	W. Groton	\$100	NA	No special benefits	A few housing units	Façade protection	None	Moderate housing	NA	Average	Under discussion
10 Rivercourt	8 West Main	W. Groton	\$1	TIF for 20 years	No special benefits	Senior Housing Health	None	None	Assisted living	NA	Poor	Health care/senior

Conclusions and Reconciliation

Considering the sizable structure and prime location, town leaders might expect to receive high prices for these historic assets and they may feel pressure to bring in the largest sum possible. Balancing the community needs and preferences with the limitations of municipal budgets is never easy. The advantage of a private sale is that the expenses of maintaining the building are no longer burdening the municipal budget. The building is transferred to the tax rolls and begins to generate revenue even under special tax incentives. Through the RFP process the has the power to determine the conditions of the sale, which in the present case include historic façade preservation, expanded local parking and the expenditure of a considerable amount of money that will, with ten years translate into a property of high value.

The range of “deals” set out above indicates that the Prescott School has more restrictions and less opportunity for financing that most of the other projects. The proposed price of \$35,000 along with a 10 year TIF, the offering of a town-approved commercial use and a municipal parking lot appears in this context to be reasonable and appropriate.

Certification of Value Conclusions

I hereby certify that I made a personal inspection fo the appraised property which is the subject of this appraisal. The date of inspection was April 15, 2014

I further 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 personal interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- My engagement in this assignment was on contingent upon developing or reporting and 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..
- No on provided significant real property appraisal assistance to the person signing this certification.
- I have not performed services on the subject property within the past three years.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice 2014-15 edition.

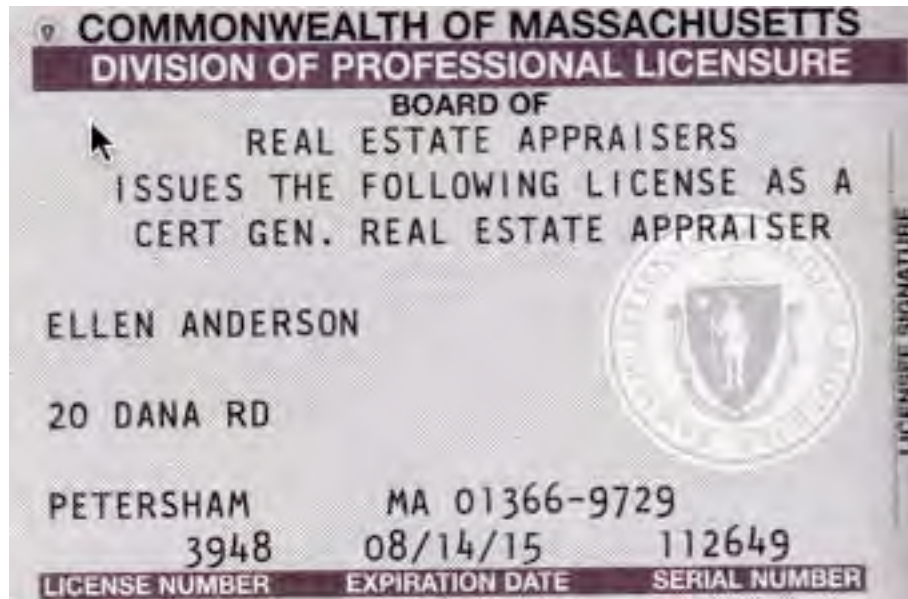
In my opinion, as of April 15, 2014, the value of the Prescott School deal, including all of the terms and conditions stated in the RFP and subject to all of the assumptions and conditions stated in this report is reasonably estimated to be \$35,000



MA Certified RE Appraiser #3948

Addenda Sections

Appraiser Qualifications



Ellen H. Anderson

20 Dana Road
Petersham, MA 01366
Phone: 978-724-3537; Fax: 978-724-3537
Massachusetts Certified General Real Estate Appraiser License # 3948, Expires 8/14/2015

PROFESSIONAL QUALIFICATIONS

EMPLOYMENT

- 1993-present: **INDEPENDENT FEE APPRAISER/VALUATION CONSULTANT.**
State Certified General Appraiser since 1995, Qualified Expert Witness.
Specializing in land valuation, highest and best use analysis.
- 1991-1993: **ASSOCIATE, HUNNEMAN & CO. COLDWELL BANKER**
Residential Sales and Valuations
- 1988-1991: **DIRECTOR, OFFICE OF REAL PROPERTY, MDC.**
Managed all phases of property acquisition and disposition for agency.
- 1983-1985: **FEE APPRAISER, BOSTON URBAN HOMESTEADING.**
Performed appraisals on 1-4 family houses eligible for federal funding for redevelopment.
- 1983-1987: **ASSOCIATE COMMISSIONER, MDC.**
- 1978-1983: **COMMUNITY PLANNING DIRECTOR, MBTA's SOUTHWEST CORRIDOR TRANSPORTATION AND PARK PROJECT.**
Managed Community Planning, Relocation and Redevelopment Projects.
- 1975-1978: **SENIOR TRANSPORTATION PLANNER, CENTRAL TRANSPORTATION PLANNING STAFF OF THE MAPC**
Coordinated planning for housing, transportation in Boston and southwestern Massachusetts.
- 1975: **ASSOCIATE PROFESSOR, BOSTON STATE COLLEGE CONTINUING EDUCATION**
- 1973-1975: **CONSULTANT, GOVERNOR'S OFFICE OF THE SOUTHWEST COORDINATOR.**
- 1966-1971: **INSTRUCTOR, DEPARTMENT OF PHILOSOPHY, NORTHEASTERN UNIVERSITY,**
- 1965-1966: **INSTRUCTOR, DEPARTMENT OF PHILOSOPHY, BOSTON STATE COLLEGE.**

EDUCATION

- 1963: BA, Political Science Honors Program, University of Michigan, Ann Arbor
- 1965: MA, Philosophy, University of Michigan, Ann Arbor
- 1978: Received Massachusetts Real Estate Broker's License (inactive since 1999)
- 1979: Appraisal I, Stonehill College,
- 1991: General and Residential State Certification Review Seminar (Appraisal Institute)
- 1992: Standards of Professional Practice, (Mass Board of Real Estate Appraisers)
Income Capitalization, A and B, (Appraisal Institute)
- 1993: Appraisal II (Course 120), (Mass Board of Real Estate Appraisers)
Narrative Report Writing, (Mass Board of Real Estate Appraisers)
- 1994: Nuts and Bolts of Appraising Affordable Housing (CHAPA)

- 1995: "Getting Credit: An Introduction to the Low Income Tax Credit Program" (CHAPA)
 1995: Title V - Update of New Sanitary Codes, Contamination (21E) (MBREA)
 1996: Certificate in Business Valuation,
 (received from Northeastern University Insurance and Financial Services Institute)
 1998: Uniform Standards of Professional Practice (15 hours)
 2000: Seminar on "The State of the Profession", sponsored by the Appraisal Institute.
 2001: Uniform Standards of Professional Practice, (15 hours), MBREA
 2001: Real Estate Fraud, (one day seminar, MBREA)
 2002: Supporting Cap Rates, (one day seminar, MBREA)
 2002: Technical Inspection of Real Estate (20 hours)
 2003: Rates and Ratios (one day seminar, AI)
 2004: Uniform Appraisal Standards for Federal Land Acquisitions (AI)
 2004: Special Purpose Properties (AI)
 2005: Course 410 National USPAP Course (AI)
 2005: Market Analysis and Site to do Business (AI)
 2007: USPAP (MBREA)
Real Estate Finance, Value, and Investment Performance (AI)
General Market Analysis and Highest and Best Use (AI)
 2008: 7-hour USPAP – MBREA
 2009: Business Ethics – Appraisal Institute
 2010: RE Appraisal and ROW – Appraisal Institute and IRWA
 2010: Mass Appraisals Course 200; Mass Association of Assessors
 2010: The Cost Approach; McKissock
 2010: Ad Valorem Appraising; McKissock
 2010: Appraising 2-4 Family Properties McKissock
 2010: USPSP 2010; McKissock
 2010: Appraising Office Buildings for Mortgage Underwriting; McKissock
 2012: 7-Hour USPAP McKissock
 2013: Disclosures and Disclaimers McKissock
 2013: Construction Details and Trends McKissock
 2013: Regression Analysis; McKissock
 2013: The Cost Approach; McKissock
 2013: Financial Institutions Guide to Commercial Appraisals; MBREA
 2013: Environmental Hazards Impacts on Value; Calypso Continuing Education

RELATED EXPERIENCE, ACCOMPLISHMENTS, PROFESSIONAL ASSOCIATIONS

- 2012-2013: Associate Member MBREA
 2004 - 2011: Associate Member, Appraisal Institute
 2000- 2010: Chairman, Zoning Board of Appeals, Town of Petersham, MA.
 2004- present: Petersham Representative to the Montachusset RPA
 2000- 2004: Board Member & Clerk, East Quabbin Land Trust
 1997-2000: Massachusetts Association of Conservation Commissions, Board Member
 1996-98: President, Hillside Neighborhood Association
 1994-1996: MAPC Representative, Town of Milton
 1994: Speaker, Boston Bar Association's Committee on the Environment
 1992-1997: Member, Milton Conservation Commission
 1991-98: Member, Greater Boston Real Estate Board
 1994-2003: Provisional member, Massachusetts Board of Real Estate Appraisers
 1992-1994: Massachusetts Watershed Coalition, Vice-President of Board
 1984-2002: Neponset River Watershed Association, Board Member & President 1991-97
 1977-1983: Episcopal City Mission, Member of the Executive Committee and Housing Committee Chair
 1976-1983: Boston Rent Control Board, Chairman of Board
 1970-1975: South End Committee on Transportation, Representative to the Boston Transportation Planning Review
 1979: Author of "Transportation's Role in Neighborhood Revitalization - a South End Case Study" published in 1979 by the Conservation Foundation.

A partial list of clients includes:

- The City of Fall River Office of Economic Development, Fall River (reference Ken Fiola)
- The Trust for Public Land, (reference Badge Blackett, Nellie Aikenhead)
- Eastman Gelatine Corporation, Peabody, (reference Serge Bernard)
- The Hollingsworth and Vose Paper Company, Foxboro and Walpole (reference Jeff Barr)
- The K&F Brick Company, Middleboro, (reference Hal Carroll at Gadsby & Hannah)
- Diversified Automotive, Boston and Westboro (reference Alan Johnson)
- The Crittenton Hastings House, Brighton (reference Liz Reilinger)
- Casey & Dennis (reference Richard J. Dennis, Sr., principal)
- J.M. Forbes & Co., Boston, Milton and Sudbury (reference Mac Davidson, partner)
- Attorney James Boudreau

- Attorney Matthew Watsky
- Devens Hamlen, Wayland
- Attorney Alexander Whiteside, Milton and Wareham
- Abigail Burns
- The City of Boston (reference Frank Tate, Bernard Shadrawy, Jr.)
- The Commonwealth of Massachusetts Attorney General's Office (reference John Bowen)
- The Massachusetts DCR (reference Tom Gray, Esq.)
- Trustees of Reservations & MAS (reference Charles Wyman)
- Town of Easton, (reference Martha White)
- Town of Shutesbury (reference Town Manager, David Ames)
- Town of Petersham (reference Clint Shaw)
- Nicholas Danforth, Boston and Weston
- Ganson, Taylor & Perrin, Boston (reference John Leith)
- Executive Office of Environmental Affairs; Fish & Game (reference Phil Truesdell)
- Executive Office of Transportation and Construction (reference, Jim Atkinson)
- Russ Developers (Jim Ruskowski, Holliston)
- Mount Grace Land Conservation Trust, Athol
- James Baird, Petersham
- Ruth Gordon, North Orange
- Mass Division of Capital Asset Management (reference, Robert Cohen)
- Jim French, Sterling
- Reilly family, Hardwick
- Hans Thoma, Hardwick
- Kestrel Trust, (reference, Judy Eiseman)
- The Town of Amherst
- The City of Fitchburg
- The City of Worcester Water Department
- The Massachusetts Audubon Society
- The Town of Erving
- The North County Land Trust
- The City of Greenfield
- The East Quabbin Land Trust
- The Massachusetts Department of Agricultural Resources
- The Town of Westminster
- The Town of Belchertown
- The Franklin County Land Trust
- The Gardner Conservation Commission
- The Family First Bank
- The Commonwealth of Massachusetts Department of Agriculture
- The Cowls Lumber Co.
- Heyes Forest Products
- The Greenfield Savings Bank
- The Family First Bank
- The Town of Groton

Documents either attached or incorporated by reference into this report.

- Chapter 43D Market Analysis for Station Avenue Groton Massachusetts dated July 2008
- Groton Board of Selectmen Request for Proposal for Disposition of Real Property Known as the Prescott School in Groton, MA which incorporates the Reuse Study and the Prescott School Site Plans and Floor Plans.
- Response to Request for Proposals dated March 20, 2014.