

## Dawn Collins

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**From:** Bill James <bjames@jres.com>  
**Sent:** Friday, March 11, 2022 7:15 AM  
**To:** Dawn Collins  
**Subject:** RE: Town of Palmer Lake Request for Proposal  
**Attachments:** USPAP Scope of Work and Reporting 2020-2022.pdf; James Qualifications.pdf; JRES Company Profile.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

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Dawn,

Thanks for the opportunity to propose to estimate the highest and best use and appraise the real properties described below. I understand that the intended use of the proposed appraisals is to assist in decision making regarding management and/or disposition of the subject properties.

I see from the information provided by you, Assessor records and aerial and street level photos that the properties include:

1. 290 & 350 Highway 105 – former Living Word Chapel – vacant worship facility of some 30,800 SF on some 28 acres of land including two contiguous assessor parcels
2. County Line Road – vacant land of some 10 acres - adjacent to the Santa Fe to Greenland Trail Link - currently used informally as a motorcycle dirt trail – adjacent to substantial additional land and building(s) owned by Palmer Lake – composed of several assessor parcels and likely including some streets which may have been dedicated and appear not to have been improved.

Considering the intended use of the appraisals and the characteristics of the subject properties, I will apply the Sales Approach to provide appraised market values of fee simple interest in each property as is. The Cost and Income Approaches will be excluded as less reliable and because most comparable properties either exclude improvements or produce negligible income.

In view of the relatively high land-to-building ratio of Property No. 1 and the resulting potential feasibility of removal of the improvements from the subject land to achieve its highest and best use, sales of vacant land will be considered for analysis in the Sales Approach. As a part of highest and best use analysis, land value will be analyzed to assess the economic feasibility of removal of the improvements in favor of redevelopment of the site. The value contribution and or potential demolition cost of the building will be considered among the adjustments applied to comparable sales analyzed in the Sales Approach.

While all real estate appraisals must include an estimate of the highest and best use of the subject property, alternative uses of these properties will be examined in greater detail than usual to assist the property owner in determination of the most advantageous strategy. You may know that highest and best use analysis includes examination of legal and physical constraints on land use as well as real estate market conditions. Since the subject properties are owned by the

jurisdiction which controls land use, that element of highest and best use research and analysis will be researched and analyzed with more attention than usual.

For land with potential for subdivision like both properties, the Development (Income) Approach is often applied to provide value indications. The Development (Income) Approach calculates the present value of the revenue from sales of the individual lots less carrying, sales and where appropriate, development costs. I will not apply the Development (Income) Approach to provide value indications of the subject property because I assume that insufficient information is available about the cost of construction of the horizontal improvements necessary to subdivide the property into salable lots.

The value contribution of any water rights to the values of the real properties will be provided by analysis of the potential value added to the property by transfer of the water rights to the local public water service provider in conjunction with development of the property to its highest and best use. If the water rights associated with the subject property are more than sufficient to support development of the property to its highest and best use, I will analyze the sale potential of those water rights, or if that is not an option, I assume that an appraisal will be provided to me of those excess water rights by an appraiser qualified to appraise water rights as an independent asset. The value contribution of any mineral rights included with the subject properties will be analyzed by adjustment to the prices of the comparable land sales for those rights in the appraisal analysis. Any contribution to the values of the properties resulting from prepaid water and/or sewer tap fees will be considered in the appraised values.

For reference, the Sales Approach provides a value indication by analysis of sales of properties comparable to the subject property. The Income Approach provides a value indication by analysis of rents and operating expenses of comparable properties and return on investment. The Cost Approach provides a value indication by deducting depreciation from the replacement cost of the improvements at a property, and adding the value of the underlying land, often obtained using the Sales Approach. The value indications from the approaches applied in an appraisal are reconciled to provide the appraised value.

The two appraisals will be conveyed in two narrative summary Appraisal Reports as described in the attached outline of appraisal scope and reporting options, and consistent with the requirements related to the intended use of the appraisals.

Considering our other work, our schedule permits delivery of the two appraisal reports within 60 days from engagement provided we are engaged within the next 7 days. Of course, we will accelerate delivery as much as possible. Considering the characteristics of the subject properties and the scope of the appraisals, assuming we are engaged for both appraisals simultaneously, I propose fees estimated not to exceed \$6,000 for each appraisal or a total of \$12,000 based on the hourly rates described below including travel time and expense payable by a retainer of \$6,000 upon engagement and the balance due upon delivery of the appraisal reports.

The proposed maximum fees and delivery time include an allowance for reasonable time to process questions regarding the appraisal research, analysis and conclusions. If additional time is required outside the scope of the original assignment for consultation, deposition, testimony or preparation for these activities, we will ask to be compensated at the rates of \$420/hour for Principal Appraiser deposition or testimony, \$330/hour for Principal Appraiser all other activities, \$210/hour for Associate Appraiser, and \$160/hour for Research Analyst.

The proposed maximum fee includes delivery of the appraisal reports in electronic pdf format. If "hard copy" reports are required, they will be provided at an additional fee of \$100 per report copy for the time and expense of printing.

If these terms are acceptable, I will prepare an engagement letter that asks for the signature of an authorized representative of our client (I assume you), the retainer and a number of documents related to the property. For your convenience, I have also attached my personal qualifications for this work and a profile of our company. I have extensive experience appraising vacant land and worship facility properties like this in the Front Range area.