



Appraisal &  
Consulting Group, LLC

**REVIEW REPORT**

**Oregon State Hospital North Campus**

2600 Center Street NE

Salem, Oregon 97301

**EFFECTIVE DATE**

May 27, 2015

**PREPARED FOR**

Darrin Brightman, AICP, OPMA

Real Estate Project Manager

Real Estate Services

**Oregon Department of Administrative Services**

1225 Ferry Street SE, U100

Salem, OR 97301

**PREPARED BY**

Matthew P. Call, MAI

**Appraisal & Consulting Group, LLC**

1516 NE 37<sup>th</sup> Avenue, Suite 210

Portland, OR 97232



Appraisal &  
Consulting Group, LLC

July 6, 2016

Darrin Brightman, AICP, OPMA  
Real Estate Project Manager  
Real Estate Services  
Oregon Department of Administrative Services  
1225 Ferry Street SE, U100  
Salem, OR 97301

RE: **Oregon State Hospital North Campus**  
2600 Center Street NE  
Salem, Oregon 97301

Mr. Brightman:

At your request I have prepared an appraisal review report intended to comply with Standard 3 of the *Uniform Standards of Professional Appraisal Practice (USPAP)* which governs appraisal review assignments. This report provides a review of an appraisal report prepared by Daniel P. Harms and Katherine Powell Banz, MAI with Powell Banz Valuation dated June 1, 2016 with a valuation date of March 10, 2016. The appraisal was prepared for the State of Oregon as a part of due diligence related to the potential disposition of the property.

The subject of the appraisal report represents a 47.37 acre parcel of Public & Private Health Services zoned land improved with seven buildings totaling 504,215 SF. Two of the buildings (Dome Building and Yaquina Hall) are partially occupied by the State and are assumed to remain on the site. The remaining five buildings are vacant and scheduled for demolition following hazardous material/asbestos abatement. A more detailed description of the subject property is included in the body of the appraisal review report.

The property is valued under two main scenarios: **1) Rezoned for Development/Alternate Use** – As if abated of hazardous materials/asbestos, cleared of the improvements that are slated for demolition, fully serviced with utilities and off-site improvements and rezoned for development/alternative use. **2) “As Zoned”** – As if abated of hazardous materials/asbestos, cleared of the improvements that are slated for demolition, and retaining the Public and private Health Services zoning.

In addition, there are multiple valuation scenarios presented under each of the two primary valuation scenarios above.

The purpose of this assignment is to prepare a technical review of the appraisal report and to comment on the valuation analysis and methods to determine if the value conclusion is reasonable and supported and meet the appropriate appraisal standards (USPAP and the agreed upon scope of work between the State of Oregon).

1516 NE 37<sup>th</sup> Avenue, Suite 210  
Portland, OR 97232  
[www.acgrp LLC.com](http://www.acgrp LLC.com)

**Extraordinary Assumptions:** Portions of the property description and market data in the original appraisal is extended to the reviewer's analysis on the basis of an extraordinary assumption. This includes the extraordinary assumptions relied on in the Powell Banz Valuation report.

**Hypothetical Conditions:** No hypothetical conditions are used that are specific to the appraisal review. It is noted there are several hypothetical conditions used in the Powell Banz Valuation report, which are appropriate given the agreed upon scope of work.

Based on the contents of the following appraisal review, it is my conclusion the Powell Banz Valuation, LLC appraisal complies with applicable appraisal standards (USPAP and the agreed upon scope of work). On the whole, the appraisal report is an above average appraisal on a complicated property. The valuation conclusions are generally supported by the market data in the report. It is my conclusion, some of the value conclusions are at the upper end of a reasonable range. In my review report I have presented brief analysis discussion the reasonableness of the components of the value conclusions and potential downside risk to some of the value conclusions.

This appraisal review report is subject to the general assumptions and conditions presented in this report. If questions arise, please contact the undersigned.

Sincerely,

APPRAISAL & CONSULTING GROUP, LLC



Matthew P. Call, MAI  
Certified General Real Estate Appraiser  
State of Oregon License #C000759  
503.740.8729  
matthew.call@acgvaluation.com

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QUALIFICATIONS OF APPRAISAL & CONSULTING GROUP	

# Appraisal Review Summary

## PROPERTY INFORMATION:

Property Name: Oregon State Hospital North Campus  
 Owner: State of Oregon  
 Address: 2600 Center Street NE  
 City, State: Salem, Oregon

## REVIEW INFORMATION:

Review Client & Intended User: State of Oregon Department of Administrative Services. Intended users include the client and related parties involved in the potential disposition of the subject property.  
 Review Report Date: July 6, 2016  
 Review Report Effective Date: March 10, 2016  
 Primary Reviewer: **Matthew P. Call, MAI – 503.740.8729**

## APPRAISAL INFORMATION:

Appraiser(s): Daniel P. Harms & Katherine Powell Banz, MAI  
 Appraiser Client: State of Oregon Department of Administrative Services (DAS) Enterprise Asset Management  
 Intended User: Client and their legal, real estate, and accounting professionals  
 Interest Valued: Fee Simple  
 Report Format: Appraisal Report, self-contained presentation

## APPRAISAL VALUE SYNOPSIS:

MARKET VALUE SCENARIOS	HYPOTHETICAL CONDITIONS	EXTRAORDINARY ASSUMPTIONS	DATE OF VALUE	VALUE
<b>REZONED FOR DEVELOPMENT/ALTERNATE USE</b>				
Excess Land (37.64 AC)	Abated, cleared/demolished, fully serviced and rezoned for development	Rezoning and off-site improvement costs are reasonable	March 10, 2016	\$8,280,000
Dome Building and Supporting Land Area (7.05 AC)	Abated (basement only), fully serviced and rezoned for alternative use		March 10, 2016	\$5,200,000
Yaquina Hall and supporting Land Area (2.68 AC)	Abated, fully serviced and rezoned for alternative use		March 10, 2016	\$1,010,000
<b>AS ZONED</b>				
Excess Land (37.64 AC)	Abated and cleared/demolished	Rezoning and off-site improvement costs are reasonable	March 10, 2016	\$4,325,000
NW Corner of Excess Land (6.90 AC)			March 10, 2016	\$1,985,000
Excess Land As Zoned Excluding NW Corner (30.74 AC)			March 10, 2016	\$2,340,000
Dome Building and Supporting Land Area (7.05 AC)	Abated (basement only)		March 10, 2016	\$4,250,000
Yaquina Hall and supporting Land Area (2.68 AC)	Abated		March 10, 2016	\$760,000

## Appraisal Review Summary (continued)

### APPRAISAL CHECKLIST:

REVIEWER'S SUMMARY OF REPORT & VALUATION	YES	NO	See Comments
● Meets industry standards:	X		
● Major extraordinary or special assumptions:	X		See 1. Below
● Property is adequately described	X		
● Market conditions are adequately addressed:	X		
● Highest & Best Use is reasonable:	X		
● Major property issues of concern:		X	
● Major valuation issues of concern:		X	
● Review Appraiser Concurs Value Conclusion is Reasonable:	X		See 2. Below

1. The appraisal is based on the extraordinary assumption that the estimated costs associated with rezoning and off-site improvements are reasonable. The "rezoned" values are also based on hypothetical conditions that the land and improvements are abated, cleared, fully serviced, and rezoned for alternative use. The "as zoned" values are based on the hypothetical conditions the land and improvements are abated, cleared, fully serviced, and rezoned for alternative use, but with the existing Public and Private Health Services zoning. These extraordinary assumptions and hypothetical conditions are reasonable, and the shared road construction cost agreement is stated in the purchase and sale agreement.
2. The value conclusions in the appraisal report are generally reasonable and well supported. I have accepted the value conclusions in my review, with the exception of the value conclusion for the Dome Building which was adjusted slightly. However, it is my conclusion some of the other value conclusions are at the upper end of a reasonable range. In my review report I have presented A brief analysis and discussion of the reasonableness of various value conclusions and potential downside risk to some of the value conclusions.

In addition, the client is advised that the ability to achieve the individual value conclusions for various components of the property is unknown. If the entire property is developed as a single-entity, or at the same time, the values in the appraisal are reasonable. However, if a single component of the subject is sold separately, the value conclusions in the report are more uncertain. The individual component value conclusions deduct the extraordinary off-site costs on a proportional per acre basis, which is the most appropriate approach given the available information. However, some portions of the property may have higher proportional off-site costs and some off-site costs may require 100% completion to allow any new development. As a result, if developed independently of redevelopment on the remainder of the property, some components of the property may have higher or lower extraordinary off-site costs than their proportional cost on a per acre basis. Offsetting this factor is that a sale of an individual component of the property would likely not require the 20% bulk discount concluded in the appraisal.

# Preliminary Information & Conclusions

## **Client and Intended Users**

The client of this appraisal review report is the State of Oregon, Department of Administrative Services, Enterprise Asset Management. The intended users include the client and other partners involved in the potential disposition of the property.

## **Purpose and Intended Use of the Assignment**

The purpose of this assignment is to review the appraisal report prepared by Daniel P. Harms and Katherine Powell Banz, MAI with a valuation date of March 10, 2016 including a review of the appraisal methodology and value conclusions. The purpose of the review is to assist the client with decision making regarding the appraised property and to provide the client with information regarding the compliance of the reviewed report with applicable appraisal standards and the reasonableness of the value conclusions.

## **Date of the Appraisal Review Report**

The appraisal report under review is dated June 1, 2016 with a value date of March 10, 2016. The effective date of the review report represents the effective date of the value in the report under review, March 10, 2016. The review report is dated July 6, 2016.

## **Identification of the Property**

The subject of the appraisal report represents a 47.37 acre parcel of Public & Private Health Services zoned land improved with seven buildings totaling 504,215 SF. Two of the buildings (Dome Building and Yaquina Hall) are partially occupied by the State and are assumed to remain on the site. The remaining five buildings are vacant and scheduled for demolition following hazardous material/asbestos abatement. The property is identified by the Marion County Assessor's office as account R76562 (7S3W24C Tax Lot 100).

## **Scope of Work**

- ◆ Reviewed appraisal report prepared by Daniel P. Harms and Katherine Powell Banz with Powell Banz Valuation, LLC dated June 1, 2016 with a valuation date of March 10, 2016.
- ◆ Based on the agreed upon scope of work with the client, this review involved a technical review of the appraisal under review including the compliance of the report with applicable appraisal standards (USPAP and the agreed upon scope of work) and the reasonableness and appropriateness of the valuation methodology and conclusion. If a different opinion of value is reached by the reviewer, the agreed upon scope of work includes the reviewer presenting, documenting, and supporting an independent opinion of value.
- ◆ The reviewer has not physically inspected the subject or the comparable sales. Aerial photos and Google Street Views of the subject were reviewed, and mapping of the comparables included in the appraisal were also reviewed.

## **Preliminary Value & Conclusions (continued)**

- ◆ Prepared an appraisal review report consistent with Standard 3 of the *Uniform Standards of Professional Appraisal Practice (USPAP)* which governs appraisal review assignments.

### **Analysis & Conclusions**

The review analysis focuses on general sections of the appraisal. The various items in the table of contents of the appraisal report are grouped together as follows 1) Executive Summary to Subject Property Photographs 2) Regional Map to Improvement Description 3) Market Analysis and Highest and Best Use Analysis and 4) Valuation Methods to Analysis of Value Conclusions.

It is noted that the review focuses on compliance with applicable appraisal standards and the appropriateness of the highest and best use and valuation conclusions. Minor typographical errors are not noted in the following analysis.

### **Executive Summary to Subject Property Photographs**

In reviewing the Powell Banz Valuation, LLC appraisal report, the reviewer notes no major concerns with the Executive Summary to Subject Property Photographs sections of the appraisal. The appraisal provides required information on the purpose and use of the appraisal report, the definition of market value, and states that the appraisal will value the fee simple interest in the property. In addition, the valuation/inspection date is stated, and the appraisal problem and scope of work are adequately described. The appraisal accurately describes the report as meeting the Appraisal Report format standards of *USPAP*. The report clearly and prominently states all extraordinary assumptions and hypothetical conditions all of which are reasonable and/or called for in the appraisal contract and agreed upon scope of work.

The Scope of Work section clearly defines the “Rezoned for Development/Alternate Use” and “As Zoned” valuation scenarios and the various sub-valuation scenarios of each. In addition, this section highlights assignment specific items included in the scope of work provided in the appraisal contract. The reviewer has reviewed each item on Page 5 of the appraisal report and found each one to be present in the appraisal report.

The appraisers adequately explain their scope of work (level of subject and comparable inspection, information reviewed, etc.) and list sources of information relied on in the appraisal.

This section of the appraisal also discusses the valuation methodology used in the appraisal which is discussed in more detail in the discussion of the valuation section of the report. The report identifies the conclusion as an “as is” value conclusion. However, an “as is” value reflects a value in a property’s current physical condition, and zoning, and the value does not represent the “as is” value of the subject. However, the valuation scenarios are adequately described and the characterization of the value conclusion as an “as is” value on Page 6 is a minor definition issue and not an item of concern regarding the valuation analysis.

### **Regional Map to Improvement Description**

This section of the report begins with a detailed Regional Description of the Salem Metropolitan Statistical Area. This section provides detailed information on the population, economy/employment levels, and market conditions for residential, commercial, and industrial development. Some of his information is applicable to the Market Analysis and valuation sections ahead and provides a good overview of market conditions for various types of

development. Following the regional description is a neighborhood description of the subject's immediate market area. Of particular note in the neighborhood description is a lack of new residential development (due to the built-up character of the neighborhood), very little commercial development toward the center of the neighborhood, and demographics that generally reflect income and home values below the overall Salem market. The information presented provides a good description of the area and market conditions.

The site description does a very good job of describing the site, identifying its physical characteristics, and describing specific issues related to development. Particularly well described are issues related to utility service, streets and transportation issues, and zoning/rezoning information. The appraisers have relied on cost estimates for off-site costs and zone change costs provided by the City of Salem and others, and these estimates appear reasonable and are based on the best information available to the appraisers.

In the Improvement Description section, the Yaquina Hall and the Dome Building are adequately described with good descriptions of the building design and characteristics. In addition, mapping and support for land area necessary to support these buildings is presented. The pictures and brief descriptions of the remaining buildings are unnecessary as they are not included in the valuation.

### **Market Analysis and Highest and Best Use Analysis**

The market analysis and highest and best use analysis serves as the basis for which the property is valued and are key components of the appraisal process.

The market analysis begins by presenting information on 9 large-scale development projects in the Salem market. Of particular note is for most the timing of development is unknown. In addition, most include more low-density single-family development than the subject.

Based on the information in the appraisal, there is an oversupply of single-family development land, and an undersupply of multi-family and commercial land in the Salem market. On page 117, seven market participants the appraisers contacted to discuss the subject are listed, with additional names not listed. These participants suggested a hospital, lodging/entertainment (similar to McMenamin's), or mixed-use residential and commercial development was most likely. The appraisers do a good job showing the first two uses are less likely, with mixed-use development more likely consisting of 1) little to no single-family development; 2) a good amount of medium and high density multi-family residential development; 3) some subsidized/affordable housing; 4) minimal retail commercial development; 5) some medical office development; 6) a good sized open space/park area.

The market analysis section also provides a well-supported risk/profit conclusion of no less than 20% of all costs. This conclusion is used in the valuation section.

On pages 121 and 122, the information in the market analysis section is used to support a conclusion of a general development plan for the subject and the location of various uses on the site. The following table shows the appraisers' conclusions.

## Preliminary Value & Conclusions (continued)

Land Allocation	% of Total Site	Area (SF)	Area (AC)
Low Density Residential Development Land	0.00%	0	0.00
Medium Density Residential Development Land	10.87%	224,334	5.15
High Density Residential Development Land	21.32%	439,956	10.10
Commercial Development Land	19.74%	407,286	9.35
Mixed-Use Development Land	17.67%	364,597	8.37
Open Space/Park Land	9.86%	203,425	4.67
Dome Building and 7.05 AC Supporting Land Area	14.88%	307,098	7.05
Yaquina Hall and 2.68 AC Supporting Land Area	5.66%	116,741	2.68
<b>Total Land Area</b>	<b>100.00%</b>	<b>2,063,437</b>	<b>47.37</b>

As stated in the appraisal, the exact locations of the various components within the hypothetical subject development project are unknown and beyond the scope of the appraisal. The allocation above is generally well supported. As will be discussed in the valuation analysis, based on the stated limited demand for commercial development, there is a chance the combined commercial and mixed-use components suggest more commercial development on the site than is likely.

The highest and best use analysis clearly explains the extraordinary off-site costs and zone change costs. Legal considerations are also described including the existing zoning and historical district overlays. The analysis adequately supports the conclusion of a large, mixed-use master planned development along with renovation of the Dome Building, and conversion/renovation of Yaquina Hall.

### Valuation

The valuation section of the report begins by describing the three basic approaches to value and establishing the Sales Comparison Approach as the approach presented in the appraisal report which is supported by typical appraisal practice and reflects the analysis of typical buyers and sellers of similar sites.

The valuation analysis is based on the land area allocations presented in the table above. The first step in the analysis is to estimate the value of the subject's excess land component (47.37 acre site less the land area for Yaquina Hall and the Dome Building). The 37.64 acres of excess land are allocated as follows.

Land Allocation	% of Excess Land	Area (SF)	Area (AC)
Low Density Residential Development Land	0.00%	0	0.00
Medium Density Residential Development Land	13.68%	224,334	5.15
High Density Residential Development Land	26.83%	439,956	10.10
Commercial Development Land	24.84%	407,286	9.35
Mixed-Use Development Land	22.24%	364,597	8.37
Open Space/Park Land	12.41%	203,425	4.67
<b>Excess Land Area</b>	<b>100.00%</b>	<b>1,639,598</b>	<b>37.64</b>

Market data, analysis, and conclusions are presented for each component listed above. Adjustments are adequately explained and supported. Each is briefly discussed below. The initial valuation analysis relates to the property "as if rezoned", abated of hazardous materials, cleared of the improvements slated for development, fully serviced with utilities and off-site improvements and rezoned for development. Atypical costs associated with the redevelopment of

the subject's excess land component are deducted later to reflect the "as zoned" value of the subject's excess land.

### **High Density Residential Land**

This segment includes 10.10 acres, not including the land allocated to Yaquina Hall. The analysis begins by supporting a concluded density of 25 units per acre, or 252 total potential units. The analysis presents six comparable sales with adjusted price per acres of \$155,705 to \$254,582. The appraisers conclude a value of \$225,000 per acre which is reasonable, although it is noted that three of the four comparables that primary weight is placed on are less than half the size of the subject. The value conclusion is supported, noting that the subject has a higher concluded density than all but one of the comparables.

On a price per unit methodology, a value of \$9,500 per unit is concluded. Given the subject's larger size and higher density, this appears to be at the upper end of a reasonable range, and a conclusion of \$9,000 per unit seems more consistent with the data and consistent with the per acre conclusion above. The final reconciled value conclusion equates to \$231,188 per acre which is supported by the market data, but likely at the upper end of a reasonable range.

### **Medium Density Residential Land**

The appraisers were unable to locate any recent, comparable sales for the subject's medium-density land component. As a result, low-density comparables are presented to bracket the subject on the low end with the high-density comparables discussed above bracketing the subject on the high end. The subject's 5.15 acres of medium-density land are assumed to be developed at 12 units per acre, or 61 total units.

Using the low-density comparables with adjusted values of \$80,818 to \$90,011 per acre and the high-density sales with a range of \$155,705 to \$254,582 per acre, a value of \$135,000 per acre is concluded on a price per acre basis or a total value of \$695,000.

On a price per unit basis, a conclusion of \$13,500 per unit is made or a total value of \$825,000. The spread between the two indicators is 18 percent, which is higher than normal, but given the limited market data for this property type is reasonable. A reconciled value of \$760,000, or \$147,573 per acre is concluded which is reasonable based on the market data in the appraisal.

### **Commercial Development Land**

The subject's commercial land component consists of 9.35 acres, with two assumed locations near the southeast and northwest corners of the property or 2.45 and 6.90 acres respectively. The commercial land area does not include the land necessary to support the Dome Building.

The subject's commercial land value conclusion is based on six comparable sales with adjusted price per square foot indicators of \$7.81 to \$13.81. A value for the subject of \$10.00/SF is concluded or \$4,075,000. This is reasonable, although the reader is advised that the demand for commercial land may be reduced in the near-term depending on the pace of the build-out of the residential component of the site.

**Mixed-Use Development Land**

The subject was concluded to have 8.37 acres of mixed-use land, or land with a combination of high-density residential and commercial development. As a result, the value of this component is based on the high-density residential and commercial land sales presented above.

Using the previously presented market data, the appraisers conclude a value of \$335,000 per acre, or \$2,805,000. The reviewer agrees this per acre conclusion is reasonable given the comparable data presented, but the information in the appraisal does not fully support the demand for additional commercial development that would be a part of the mixed-use component.

On page 119 of the market analysis it states “market participants generally agreed that the commercial potential of the subject site was limited.” In addition, page 118 states development on the site would include “minimal retail commercial development” and “some medical office development.” The report does a good job showing demand for some retail development and commercial development. However, with 24.8% of the excess land already valued as commercial land, and the anticipated continued use of the Dome Building for a quasi-commercial/office use, it is somewhat questionable if there is demand for additional commercial development as a part of a “mixed-use” component of the site. This component appears speculative on a site described as having limited commercial potential.

**The reviewer accepts the value conclusion of \$335,000 per acre, or \$2,805,000 but notes there is an above average level of risk associated with this conclusion. The potential downside to this component is a value similar to the high-density residential land value of \$231,188 per acre or \$1,934,458, rounded to \$1,930,000.**

**Open Space/Park Land**

The subject is concluded to have 4.67 acres of open space/park land. There is limited market data for similar sites. The appraisers note that municipalities are required to pay full market value for properties they wish to acquire for parks. However, the subject’s value reflects a sale to a developer/single-buyer and any land purchased for a park by a municipality would be based on the underlying land value. The appraisers also state that some market participants opined that open space has no independent value but gives value to the surrounding development.

The appraisers conclude a value of \$80,000 per acre for the subject’s park/open space land, or the low end of the low-density residential land sales. This indicates a park/open space land value of \$375,000.

If the park land is acquired by a municipality from a developer of the property, this conclusion is reasonable for an allocation by a buyer of the total excess land. However, on large sites similar to the subject, some park land/open space is often a requirement of development (such as a planned unit development) or negotiated as a way to reduce neighborhood opposition to a project. In these scenarios a buyer would not attribute any value to future park/open space land.

**The value conclusion of \$375,000 is accepted. However, depending on how future development occurs some buyers would not attribute any value to this component of the site. The value conclusion is reasonable, but there is a significant amount of risk associated with achieving the concluded value.**

## Preliminary Value & Conclusions (continued)

### Excess Land Value Conclusion

The concluded values for the individual components of the subject's excess land are summarized in the table below.

Land Allocation	% of Excess Land	Area (SF)	Area (AC)	Market Value Conclusion
Low Density Residential Development Land	0.00%	0	0.00	\$0
Medium Density Residential Development Land	13.68%	224,334	5.15	\$760,000
High Density Residential Development Land	26.83%	439,956	10.10	\$2,335,000
Commercial Development Land	24.84%	407,286	9.35	\$4,075,000
Mixed-Use Development Land	22.24%	364,597	8.37	\$2,805,000
Open Space/Park Land	12.41%	203,425	4.67	\$375,000
<b>Excess Land Area in Aggregate</b>	<b>100.00%</b>	<b>1,639,598</b>	<b>37.64</b>	<b>\$10,350,000</b>

Each of the value conclusions above were supported by the appraisers and are generally reasonable. The reviewer noted that the high-density residential land component is at the upper end of a reasonable range, and there is medium to high risk associated with achieving the value conclusions for the mixed-use and open/space park land. If no commercial potential is assumed for the mixed-use land and the open space value is allocated no value, a value of **\$9,100,000** is indicated, or 12 percent below the value conclusions in the appraisal. While another reasonable appraiser may reach a conclusion closer to this adjusted number, given the complexity of the assignment and the data in the appraisal, the reviewer does not disagree with the appraisers' value conclusions, but considers them at the upper end of a reasonable range. Overall, the valuation analysis is above average.

The value conclusions above represent the sum of the individual value components. The appraisers present a well-supported discussion on page 166 concluding a 20% bulk discount rate, or a value of **\$8,280,000** for the subject's excess land. At the \$9,100,000 conclusion more reflective of the low end of a reasonable range, a value of **\$7,280,000** would be indicated.

### Dome Building Sales Comparison Approach

The Dome Building, and its supporting 7.05 acres, are valued using a Sales Comparison Approach. The building is first valued with adequate parking. Following this analysis an adjustment is made to add 87 new parking spaces to correct the existing parking deficiency. In addition, atypical costs (off-site and rezoning costs) are deducted to reflect the "as zoned" value of the Dome Building.

The analysis is based on a price per square foot basis, which is appropriate. The comparables indicate an adjusted value range of \$67.11 to \$104.53 per square foot.

The appraisers conclude a value of \$77.50/SF, or \$5,190,000. An alternative analysis is presented based on the depreciated value of the improvements added to the concluded land value. A value of \$40.00/SF is concluded for the building and \$10.00/SF is concluded for the land for a total value of \$5,750,000. The two approaches are then reconciled for a final value conclusion of \$5,360,000.

The second land plus depreciated building value approach is listed as a cross-check in the appraisal. It is appropriate as a cross-check only, but is not reliable as anything other than a test on value. The appraisers used the assessor's office RMV for the comparables' land value, which may or may not reflect market value. In addition, with the historical designation and restrictions on development for the Dome Building site, applying the \$10.00/SF land value previously concluded for general commercial demand is less reliable. This secondary approach should have

## **Preliminary Value & Conclusions (continued)**

been presented as a check on value, but it is not reliable enough to use in the reconciliation and final value conclusion for the Dome Building.

From this value, the cost of adding sufficient parking, of \$160,000, is deducted for a final value conclusion of \$5,200,000.

Based on my review, the value of the Dome Building is slightly high. The subject property is significantly larger than all but Comparable 6. In addition, the subject's basement area is included in the building square footage. This area is not finished for office space and is currently used for storage and shop/maintenance use. The subject's basement area reflects 31.7% of the entire building square footage. The comparables are 14.8%, 25.4%, 11.7%, 0%, 27.7%, and 8.5% basement area. The subject has more basement/non-office area than all of the comparables and more than double the basement area of four of the six comparables. Considering the larger size of the subject and the higher percentage of basement area, a value closer to the lower end of the range is supported. The three comparables outside the close-in Portland market are Comparables 1 (\$72.03/SF), 3 (\$74.44/SF), and 6 (\$71.27/SF). Recognizing the subject's historical significance and appeal, a value near the upper end of this range of \$74/SF is supported, or \$4,954,818, rounded to **\$4,950,000**. Deducting the extraordinary parking costs indicates a value for the Dome Building of, **\$4,790,000**.

### **Yaquina Hall Sales Comparison Approach**

Yaquina Hall, and its supporting 2.68 acres are valued using a Sales Comparison Approach. The building is first valued with adequate parking. Following this analysis an adjustment is made to add 56 new parking spaces to correct the existing parking deficiency. In addition, atypical costs (off-site and rezoning costs) are deducted to reflect the "as zoned" value of Yaquina Hall.

Six comparables are presented with an adjusted range of \$16.86 to \$33.86 per square foot. The comparables were primarily purchased for renovation/conversion and reflect similar appeal as the subject. The analysis is very well supported and the conclusion of \$20.50/SF is reasonable.

Two additional, alternative valuation approaches are presented with a cross-check on a price per potential unit and building-only valuation. Similar to the Dome Building, it is my opinion the building-only approach should only be used as a cross-check with no weight in the reconciliation. However, the final reconciled value of \$1,115,000 is reasonable and the analysis regarding Yaquina Hall is above average and well supported. From this value, costs for additional parking of \$105,000 are deducted to indicate a final value of \$1,010,000 which is reasonable.

## Preliminary Value & Conclusions (continued)

### Value As Zoned

Five valuation scenarios are presented “as zoned” with the existing Public and Private Health Services zone. These scenarios are summarized below.

AS ZONED
Excess Land (37.64 AC)
NW Corner of Excess Land (6.90 AC)
Excess Land As Zoned Excluding NW Corner (30.74 AC)
Dome Building and Supporting Land Area (7.05 AC)
Yaquina Hall and supporting Land Area (2.68 AC)

The “as zoned” analysis takes the previously concluded values under the rezoned scenario and deducts extraordinary costs associated with rezoning and off-site costs on a proportional per acre basis. In addition, a profit allowance of 10-20 percent is included for each component. The cost deductions are based on the best available information, and the developer’s profit was well supported in the Market Analysis/Highest & Best Use sections of the report.

The value of the excess land and Yaquina Hall are reasonable and well supported. As the excess land value in the “as rezoned” scenario was concluded to be at the upper end of a reasonable range, the resulting value in the “as zoned” section is also concluded to be reasonable, but at the upper end of a reasonable range.

The reviewer concluded a value for the Dome Building “as rezoned for development” of \$4,790,000. Using this value, and the development costs in the chart on page 198 of the appraisal, indicates a value “as zoned” for the Dome Building of \$3,882,272, rounded to **\$3,880,000**.

### Value Conclusion: NW Corner of Excess Land (As If Abated and As Zoned)

A value for the 6.90 acres at the northwest corner of the site is presented. This area was concluded to have a highest and best use for commercial development. The \$10.00/SF conclusion “as rezoned” is used and extraordinary off-site and rezoning costs, along with a profit allowance, are deducted to indicate an “as zoned” value of \$1,985,000 or \$6.60/SF. This value is then supported further with four anecdotal land sale comparables. This analysis is well supported and the value conclusion is reasonable.

### Value Conclusion: Excess Land Component Excluding the NW Corner (As if Abated and As Zoned)

To determine this value, the appraisers subtract the “as zoned” value of the northwest corner from the “as zone” value for the excess land (37.64 acres). A value of \$2,340,000 is concluded and is reasonable. This value conclusion is based on values previously concluded with no new analysis, outside of four anecdotal comparables which support the conclusion.

## Review Conclusions

In my review of the Oregon State Hospital North Campus property appraisal, the descriptive information provided in the report was complete and appropriate for the property type and scope of work. The appraiser used appropriate valuation methodology and presented a Sales Comparison Approach. Multiple valuation scenarios were presented. The reviewer generally agreed with the value conclusions in the appraisal. For some components, the value conclusions were concluded to be supported, but at the upper end of a reasonable range. For these components, the reviewer accepted the value conclusions, but presented additional analysis to help quantify the potential downside risk to value at the lower end of a reasonable range.

The Dome Building value conclusion was the only component that the reviewer felt necessary to adjust the value conclusion slightly. The larger size of the building and significant basement are supported a lower per square foot value. In addition, the appraisers adjusted their value conclusion up based on a secondary, cross-check, building-only analysis that was not reliable enough to support adjusting the value from the primary Sales Comparison Approach analysis. In the overall scope of the appraisal, the adjustment to the Dome Building values is relatively nominal and not in any way a reflection of a deficient appraisal.

The subject is a very complicated property, and a higher than normal range of value conclusions is to be expected. Overall, the Powell Banz Valuation, LLC appraisal is and above average, well written appraisal with value well supported value conclusions.

The chart below summarizes the value conclusions in the appraisal report and the reviewer's value conclusions.

MARKET VALUE SCENARIOS	HYPOTHETICAL CONDITIONS	EXTRAORDINARY ASSUMPTIONS	DATE OF VALUE	VALUE	Reviewer's Value Conclusions
<b>REZONED FOR DEVELOPMENT/ALTERNATE USE</b>					
Excess Land (37.64 AC)	Abated, cleared/demolished, fully serviced and rezoned for development	Rezoning and off-site improvement costs are reasonable	March 10, 2016	\$8,280,000	\$8,280,000 (see comments in review)
Dome Building and Supporting Land Area (7.05 AC)	Abated (basement only), fully serviced and rezoned for alternative use		March 10, 2016	\$5,200,000	\$4,790,000
Yaquina Hall and supporting Land Area (2.68 AC)	Abated, fully serviced and rezoned for alternative use		March 10, 2016	\$1,010,000	\$1,010,000
<b>AS ZONED</b>					
Excess Land (37.64 AC)	Abated and cleared/demolished	Rezoning and off-site improvement costs are reasonable	March 10, 2016	\$4,325,000	\$4,325,000
NW Corner of Excess Land (6.90 AC)			March 10, 2016	\$1,985,000	\$1,985,000
Excess Land As Zoned Excluding NW Corner (30.74 AC)			March 10, 2016	\$2,340,000	\$2,340,000
Dome Building and Supporting Land Area (7.05 AC)	Abated (basement only)		March 10, 2016	\$4,250,000	\$3,880,000
Yaquina Hall and supporting Land Area (2.68 AC)	Abated	March 10, 2016	\$760,000	\$760,000	

## Certification of Appraisal

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

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report 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 the work under review and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of the work under review 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 predetermined assignments results or assignment results that favors the cause of the client, the attainment of stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- Our analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- Matthew P. Call, MAI, has not made a personal inspection of the subject property or comparable sales.
- No one provided significant appraisal, appraisal review, or appraisal consulting assistance to the persons signing this certification.
- 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.
- As of the date of this report, Matthew P. Call, MAI has completed the continuing education program of the Appraisal Institute.
- PRIOR SERVICES: I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.



Matthew P. Call, MAI  
OR State Certified General Appraisal  
No. C000759

# Matthew P. Call, MAI

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## Appraisal & Consulting Group, LLC

After graduating from Gonzaga University in 1998, I was looking for something in the real estate field that would match my interests and skills. I was lucky enough to be put in touch with Don Palmer and began working at Palmer, Groth & Pietka in 1999. During my time at PGP I was able to learn from great mentors and eventually co-manage a group of appraisers in the office. My appraisal experience includes a wide range of property types with a focus on legal work, litigation support, and condemnation cases. I have experience on several multi-property condemnation assignments, in both urban and rural areas, including natural gas, power line, and light rail projects. I enjoy the challenge of unique appraisal assignments and pride myself on attention to detail and working with the client from the initial engagement to answering any questions after the delivery of the report. I obtained the MAI designation from the Appraisal Institute in 2011 and am committed to continuing increasing my appraisal knowledge and focus on client service into the future.

### EDUCATION AND QUALIFICATIONS

Bachelor of Arts in Business Administration, Gonzaga University, 1998

### APPRAISAL INSTITUTE COURSES

Uniform Standards of Professional Appraisal Practice

Uniform Appraisal Standards for Federal Land Acquisitions

Basic and Advanced Condemnation Appraisal

Business Practices & Ethics

Various other Appraisal Institute Courses and Seminars

### EXPERIENCE

Partner, Multnomah Appraisal Group, 2012

Valuation Services Director, Colliers International Valuation & Advisory Services (formerly Palmer, Groth & Pietka, Inc.), 1999 to 2011

### ORGANIZATIONS

Greater Oregon Chapter of the Appraisal Institute

La Salle Catholic College Prep Alumni Board

### PRESENTATIONS

The Seminar Group – 2012 – Eminent Domain: Current Development in Condemnation, Valuation & Challenges  
– “Pipeline Easement Valuation”

The Seminar Group – 2011 – Eminent Domain: Current Development in Condemnation, Valuation & Challenges  
– “Severance Damages and Cost to Cure”

The Seminar Group – 2010 – Eminent Domain: Current Development in Condemnation, Valuation & Challenges  
– “Valuation of Easements”

### STATE CERTIFICATIONS

Oregon, State Certified General Appraiser, License No. C000759

Washington, State Certified General Real Estate Appraiser, License No. 1102167



## Appraiser Certification and Licensure Board

### State Certified General Appraiser

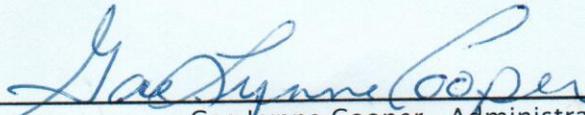
*28 hours of continuing education required for renewal*

Matthew P Call  
Appraisal & Consulting Group LLC  
1516 NE 37th AVE STE 210A  
Portland, OR 97232

License No.: C000759

Issue Date: **September 1, 2014**

Expiration Date: **August 31, 2016**

  
Gae Lynne Cooper, Administrator

## STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A



### CERTIFIED GENERAL REAL ESTATE APPRAISER

MATTHEW PATRICK CALL  
CALL VALUATION LLC  
18514 ALADDIN WAY  
OREGON CITY OR 97045

**Cert/Lic No.**

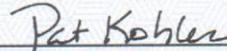
1102167

**Issued Date**

03/27/2012

**Expiration Date**

08/26/2017

  
Pat Kohler, Director



## Appraisal & Consulting Group, LLC

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Appraisal & Consulting Group, LLC, was formed in June 2012 to serve the appraisal needs of lenders, government agencies, investors, and property owners throughout the Pacific Northwest. With offices in Portland, Oregon, and Vancouver, Washington, our experienced appraisal team is:

“Ready, willing and able to serve you in a professional and timely manner.”

Don Palmer, David Groth, and David Pietka, each with 40+ years of experience, have brought together a group of highly experienced appraisers who will take full responsibility for inspections, gathering of information, analysis, and report preparation. Reports are prepared by experienced appraisers and all reports are reviewed for quality and accuracy by an MAI. All of the members have at least nine years' experience as licensed general real estate appraisers and hold licenses in Oregon and/or Washington. With thirteen members, our combined appraisal experience is over 275 years. Our appraisal experience covers all urban property types from single family to large multiple family complexes and from small retail properties to large motels, hotels, retail complexes, office buildings, and special purpose properties. In addition, we have appraisers specializing in rural and resource properties and commercial properties on the Oregon and Washington coast.

We look forward to serving you on a regular basis.

### **PORTLAND**

1516 NE 37<sup>th</sup> Avenue, Suite 210  
Portland, OR 97232

### **VANCOUVER**

112 W 11<sup>th</sup> Street, Suite 250  
Vancouver, WA 98660

(503) 281-6065 *fax*

[www.acgvaluation.com](http://www.acgvaluation.com)