

Surplus Property Appraisal Report

Location / Address: The former Lakeshore Spur, a 3.63± acre area of State Owned discontinued rail corridor, part of the Concord-Lincoln Corridor in Laconia

Effective Date: January 2, 2020

Date of Report: February 6, 2020

Appraiser: Laura J. Davies, NHCG 529

Total Contributory Value: \$272,500

About This Appraisal

The Client for this appraisal is the New Hampshire Department of Transportation (NHDOT). Intended users of this appraisal report include the client's agents and officials, and members of the Long Range Capital and Utilization Committee. I have not prepared this appraisal report for any other use, nor do I intend any other users to be able to rely on it. The intended use of this appraisal is to support making informed decisions about potential real estate transactions. The purpose of the analysis is to develop a value estimate of the fee simple interest in the subject property.

In this case, the subject property no longer has a highest and best use as a rail corridor due to a break in continuity from the larger corridor. The Lakeshore Branch was abandoned in 1935, however these and other sections were retained by the railroad to serve industrial customers located on adjacent properties. The industrial customers are no longer in operation and these sections of corridor have been dead-ended by the transfer of adjoining sections of the corridor. Due to the subject's size, shape and lack of road access in certain portions, it does not have an independent highest and best use. Per the New Hampshire Department of Transportation, Right of Way Manual¹, I have therefore appraised the subject's contributory value² to various adjoining parcels as determined by highest and best use analysis of the corridor.

This appraisal has been based on a number of assumptions and conditions outlined at the end of this report. It has also been based on the extraordinary assumption that any transfer of the subject property would be subject to the discontinuance of the railroad right-of-way and the approval of lot line adjustment plans to merge the subject "segments", which are not currently subdivided parcels, with abutting properties. The extraordinary assumptions used might have affected the results of this appraisal.

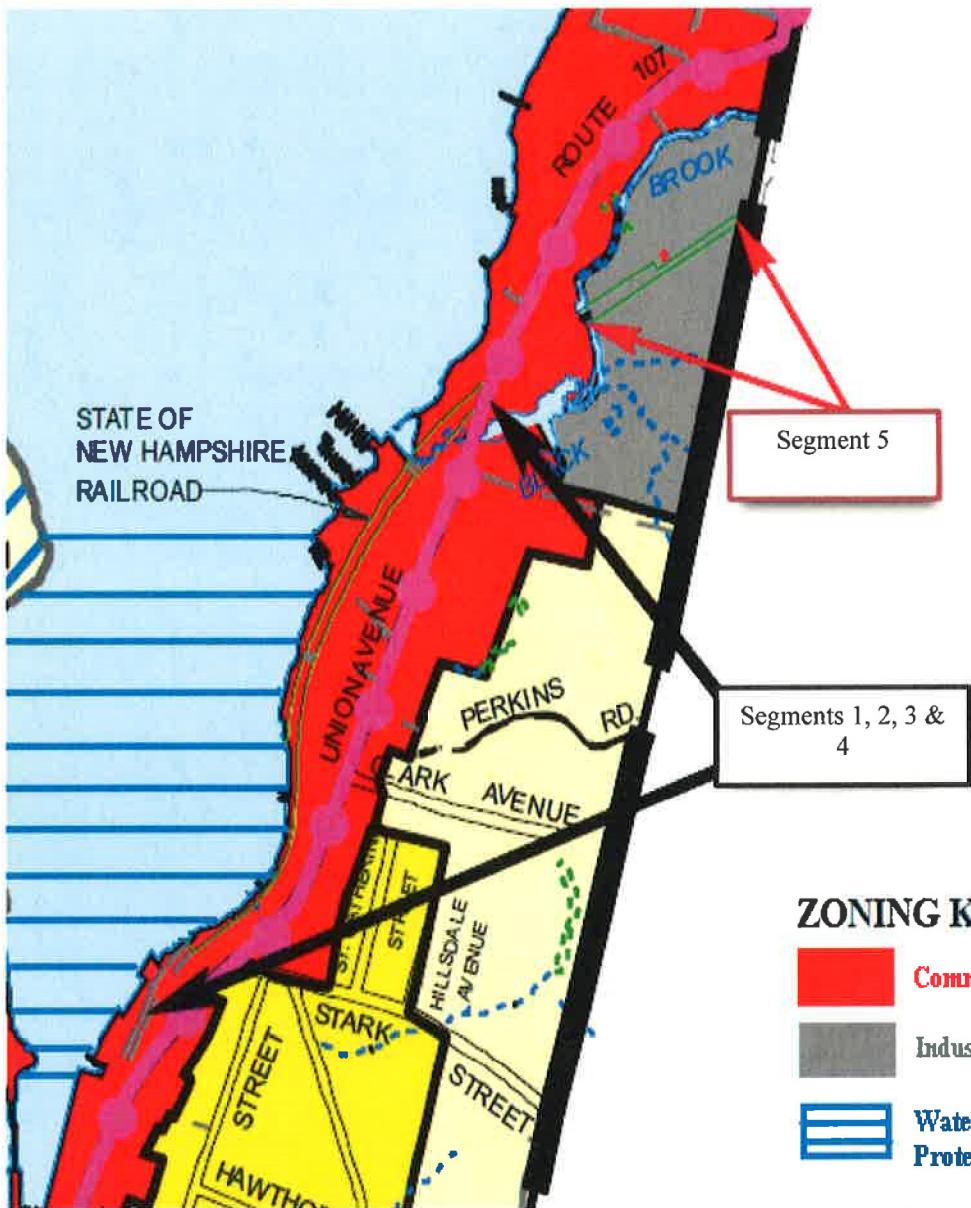
About the Subject

The subject property consists of two distinct remnants of abandoned railroad corridor, each varying in width from 30 feet to 66 feet. These remnants are located in the Lakeport area of Laconia, north of downtown and bordered by Paugus Bay to the west, at the southwestern end of Lake Winnipesaukee. Union Avenue is a highly developed commercial zone that runs in a north/south direction. It had a 2018 traffic count of 16,680 vehicles per day in the area of the subject properties and is developed with a wide variety of service, retail, restaurant and recreational uses. The larger remnant lies between Union Avenue and Paugus Bay and the smaller remnant is on the eastern side of Union Avenue, one lot back from the Avenue, in the industrial zone.

¹ The relevant portion of the Right of Way Manual reads, "remnant parcels that, because of size, shape or access, do not have an independent value will be appraised as to their contributory value to abutting parcels."

² Contributory Value is "1. A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole. 2. The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called *deprival value* in some countries." – The Dictionary of Real Estate Appraisal, 6th edition, the Appraisal Institute.

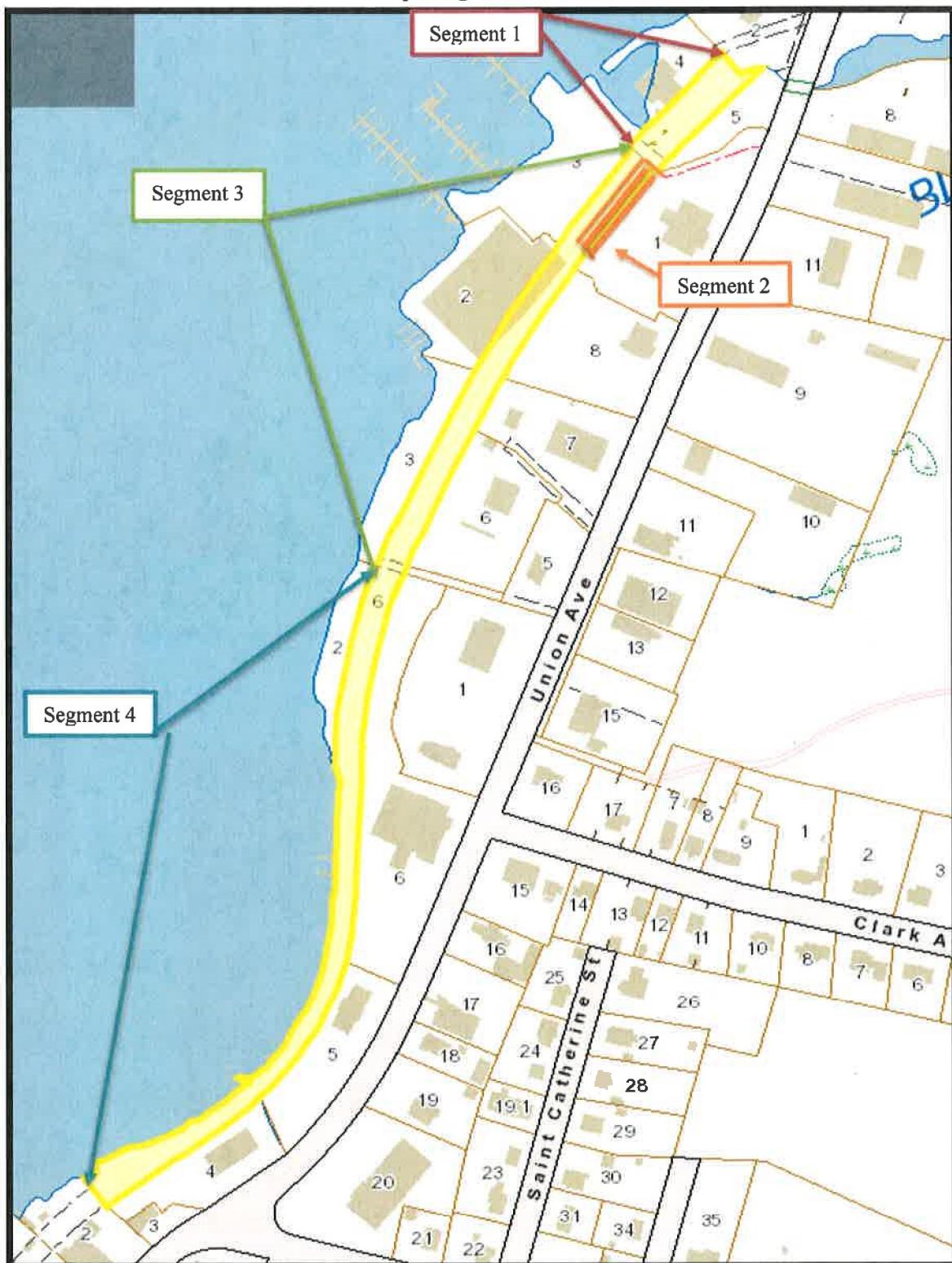
Zoning Map



The larger remnant (Segments 1, 2, 3 and 4) is defined as the area between the City's water works properties and Union Avenue at the Spinnaker Cove Yacht Club at 1196 Union Avenue and is approximately 3,207± feet in length. It is identified by the City of Laconia as Parcel 324-220-6 and reportedly consists of 2.72 acres. It runs roughly parallel to Union Avenue, beginning at the northerly side of Map 346, Block 220, Lot 2, at 1002 Union Avenue (currently owned by the City of Laconia) and ending approximately where the Black Brook intersects Union Avenue, behind the T-Bones/Cactus Jack restaurant at 1182 Union Avenue. Union Avenue is one of the primary commercial corridors in the City. The entirety of this larger remnant is located in Laconia's Commercial District, which allows a wide variety of commercial uses that are required to provide adequate off-street parking. Segments 3, 4 and 5 also fall under the Water Supply Protection Overlay District, due to the location of the City of Laconia's water supply facility at the southern end of Segment 4. There is an intake pipe in Paugus Bay here. Land uses are restricted for 50 feet from the reference line of Paugus Bay and access to the Bay is restricted, in addition to other restrictions. The entire length of the larger remnant is encumbered with a natural gas line/utility licensing agreement that the client intends to continue subsequent to any transfers of the subjects. The length of the pipeline

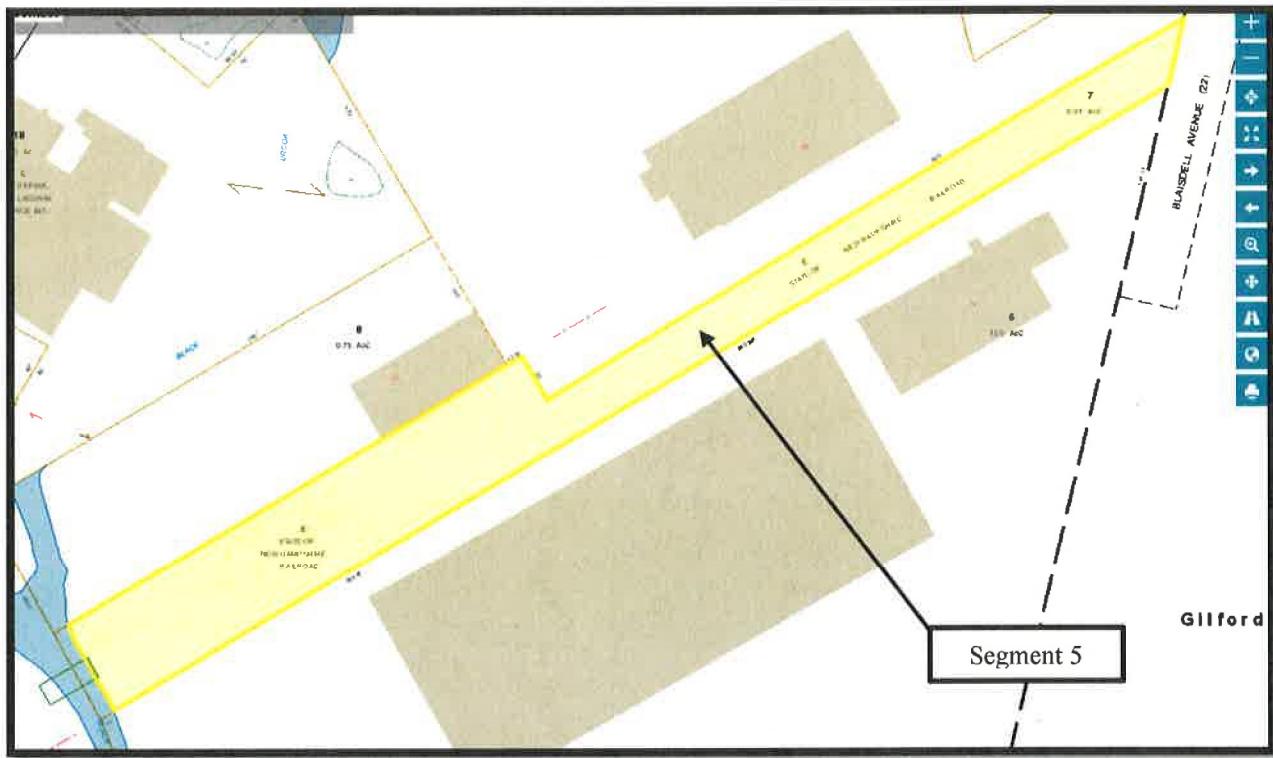
encumbrance is the entire $3,207 \pm$ feet. The client could not furnish the exact width of the impacted area and research indicates that there is no standard width for a pipeline encumbrance. A 12 foot width has been estimated to allow for the pipeline, a buffer area and vehicle access for maintenance.

Tax Map – Segments 1, 2, 3 and 4



The smaller remnant (Segment 5) is defined as the area between Stations 49+01 and 57+30 on Valuation Section 21, Maps 65 A & B. It is approximately 829 feet in length and begins where a foot bridge crosses the Black Brook on the east side of property now owned by McDonalds USA, LLC and terminates where it intersects the westerly side of Blaisdell Avenue. This area is in the Industrial Distract and Blaisdell Avenue is developed with industrial uses, such as machine shops, boat storage and boat trailer facility and an ice supply company. The City of Laconia identifies Segment 5 as Parcel 304-22-7 indicating the parcel consists of $0.91\pm$ acre.

Tax Map - Segment 5



About the Valuation

Scope of Work

To do this assignment, I inspected the property from the abutting properties and did an on-site inspection of the accessible portions. I examined city and county property records including assessment data and taxes, zoning regulations, and reviewed available plans. I formed an opinion of each parcel's highest and best use based on an analysis of that parcel's and the abutting parcels' legal, physical, and neighborhood land use characteristics.

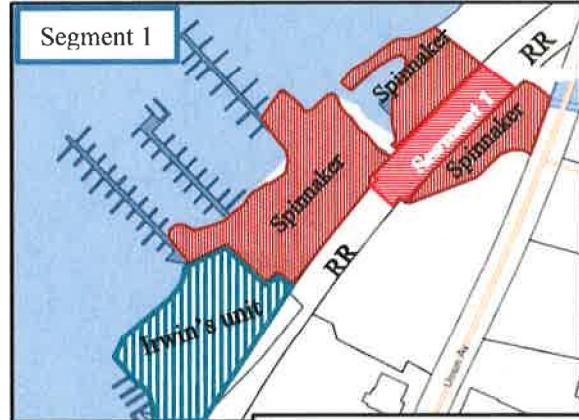
I compiled¹ comparable sales data, verified and analyzed the data, estimated the value of the subject, and prepared this appraisal report to summarize and convey my findings, the market data, and the analyses used. I prepared this appraisal report in compliance with USPAP Standards Rule #2-2(a) governing appraisal reports.

¹ Property data was collected and compiled from several sources, including the City of Laconia, and surrounding towns, Belknap County Registry of Deeds, Northern New England Real Estate Network site (MLS), and local real estate professionals.

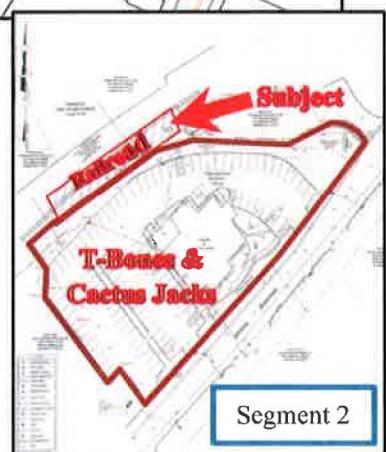
Data and Analysis

Highest and Best Use: As noted in the Property Description section, the subject property is comprised of short, isolated remnants of an abandoned railroad corridor that were created by the ownership transfer of adjacent sections of the corridor. Due to the break in continuity from this larger corridor, the subject property no longer has a highest and best use as a corridor, as neither remnant provides an economic benefit by connecting its two end points. Therefore, the most logical and practical highest and best use of the two remnants is considered to be for use in combination with the adjacent land.

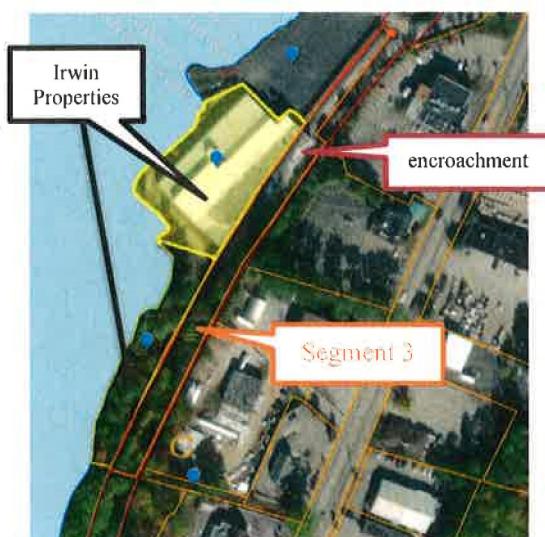
Segment 1 – (0.27± usable acre) The Spinnaker Cove Yacht Club abuts this segment on both sides and has historically had a Crossing Agreement over Segment 1 for their driveway access. Spinnaker is a condominium with the units consisting of an assigned parking space, an assigned boat slip and a share in the common area, including a clubhouse. This condominium could not function without the access rights it has over Segment 1. Spinnaker Cove Yacht Club has contacted NHDOT in the past to inquire about purchasing Segment 1 for green space and access. The most valuable use Segment 1 could be put to would be for assemblage with the Spinnaker Cove parcels, thereby giving them contiguous area and ownership of their road access.



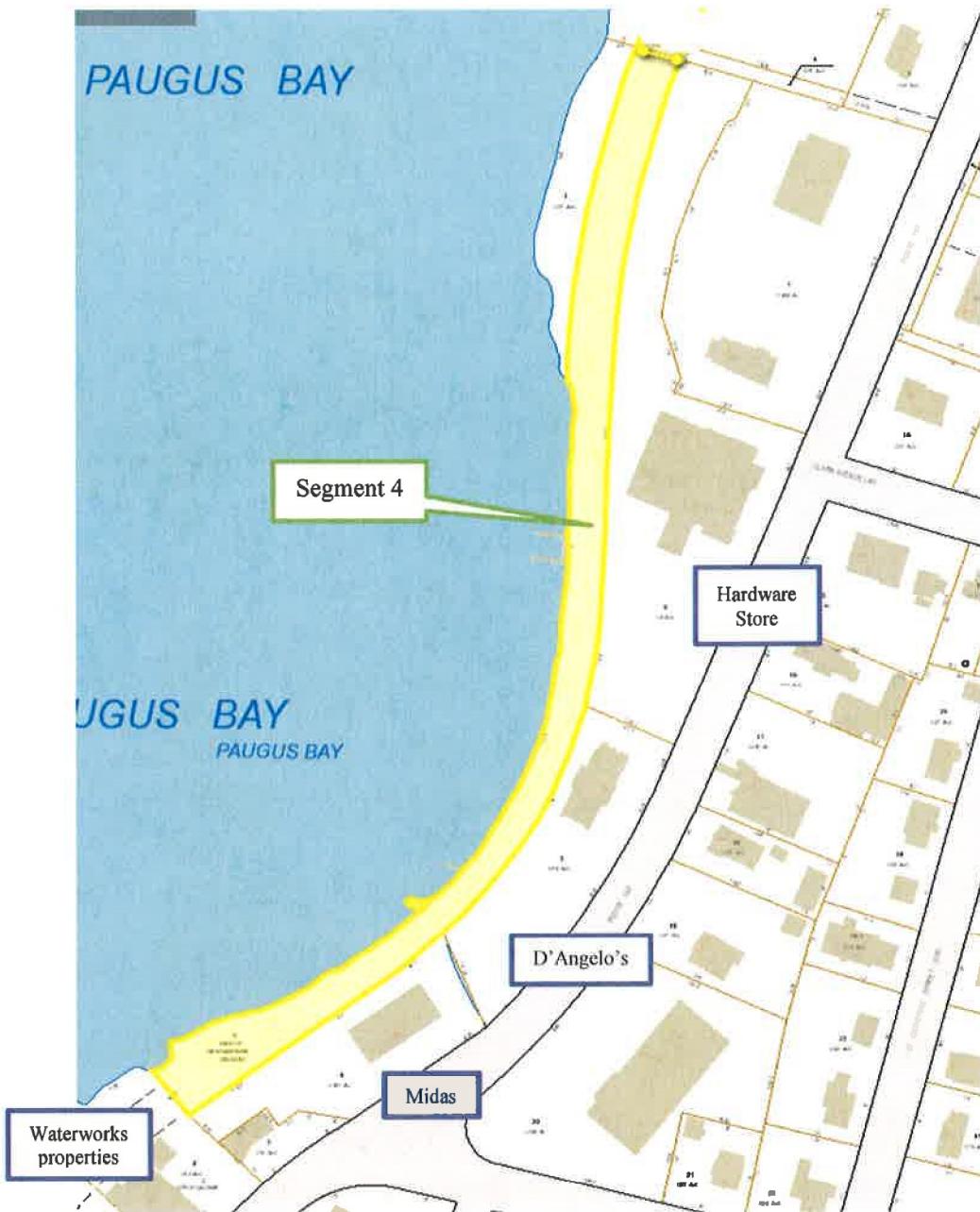
Segment 2 – (0.09± acre) This 25' X 165.2' section of the corridor is located to the rear of the T-Bones/Cactus Jack's restaurant parcel. The restaurant's owner requested to purchase this area for extra employee parking. This area is situated about twelve feet below the elevation of the restaurant site and is currently accessed by a set of wooden stairs. It is encroached upon by a rock retaining wall and parking signs associated with the restaurant site. Vehicular access to Segment 2 would have to be over the access drive for the Spinnaker Cove Yacht Club, assuming that an access easement or other agreement could be negotiated. In addition, for this area to be used for perpendicular parking, an agreement with the party that controls Segment 3 would be needed to allow for space for backing up and pulling in. If these access agreements could be acquired, the highest and best use of this segment would be for assemblage with the restaurant parcel that Segment 2 abuts.



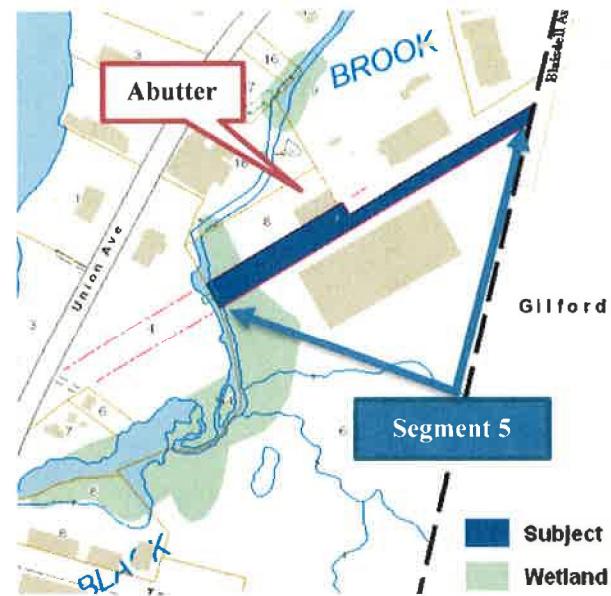
Segment 3 – (0.87± acre) This segment runs to the west of Segment 2, splitting the 165.2 foot length of corridor, and continues south along the eastern sideline of Lots 2 and 3 on the tax map illustrated on page 3. Lots 2 and 3 are lakefront parcels owned by James R. Irwin & Sons, Inc. Lot 2 is a unit within the Spinnaker condominium, improved with a boat storage facility that encroaches significantly into the rail corridor. Most of Lot 2 falls outside the Water Supply Protection Overlay District (WSP) but all of Lot 3 is in the WSP. A purchase of Segment 3 by Irwin Marine would cure this encroachment and improve the utility of this facility. Lot 3 is a narrow, undeveloped strip along the lake. Purchasing Segment 3 would roughly double Lot 3's width and area, greatly improving its potential utility. Segment 3 is at the same elevation as Lots 2 and 3 and would enhance these lakefront parcels, adding more value to them than it would to the fully developed commercial uses along the road, particularly due to the large difference in elevation.



Segment 4 – (1.49± acres) This segment runs from the southern end of Segment 3, south, ending at the City of Laconia's water supply facilities at 1002 Union Avenue, identified on the tax map shown on Page 3 as Lot 2 in the southwestern corner of the map. The majority of this segment fronts on Paugus Bay. However, it is entirely located within the WSP Overlay District, which effectively limits the use of the waterfront. Segment 4's abutters, from north to south, are a hardware store for the majority of the length, a D'Angelo's drive-thru restaurant, a Midas auto service garage and the Laconia waterworks properties at the southern terminus. The segment is well below the elevation of the commercial uses, which are fully developed. The Midas property recently added a deck that may be an encroachment onto this segment, presumably for the use of employees and patrons. Considering the WSP restrictions and the difference in elevation, it is unclear how assemblage with this segment would enhance the value of any of these commercial properties, but the restaurant use would most likely benefit the most from the view amenity and outdoor area potentially suitable for picnic tables. Segment 4 represents more of an amenity to one or more of the commercial sites rather than usable area.



Segment 5 – (0.91± acre) This final segment is at the northern end of the former Lakeshore Spur and is located across Union Avenue in an industrially zoned neighborhood on the Gilford town line. This segment has been in use by the City of Laconia as a paved walking trail. This is not an economic use to be considered when evaluating highest and best use. There are three improved parcels which abut Segment 5, all in the industrial District and all supporting existing industrial uses. The two larger parcels have existing owned access to Blaisdell Avenue, in Gilford along the Laconia line. This road provides access to Route 3 and Union Avenue at a signalized intersection that also accesses a shopping center. The smallest parcel, identified on the map to the right as “abutter”, has no independent access and appears to be encroaching on Segment 5 with a portion of its gravel loop around the building. This property, identified as 53 Blaisdell Avenue and occupied by R & K Machine, would benefit the most from assemblage with Segment 5.



Valuations

I have relied on the sales comparison approach exclusively to determine the contributory value of each segment of the subject properties to the abutting property determined to have the most enhanced value by assemblage with that particular segment. The other methods of valuation would not produce as reliable results given the nature of the subject and abutting sites, the nature of this assignment, or the market data available.

The three comparables shown in the following grid were the most comparable sales known to me. The description includes a dollar adjustment, reflecting market reaction to those items of significant variation between the abutting property and comparable properties. If a significant item in the comparable property is superior to, or more favorable than, the abutting site, a negative (-) adjustment is made, thus reducing the indicated value for the abutting site; if a significant item in the comparable property is inferior to, or less favorable than, the abutting site, a positive (+) adjustment is made, thus increasing the indicated value for the abutting site.

Segment 1

Before Sales Comparison Grid - Segment 1						
Item	Abutting Property	Comparable Sale C-1		Comparable Sale C-2		Comparable Sale C-3
	1198 Union Avenue Laconia	1218 Union Avenue Laconia		1321 Union Avenue Laconia		126 Union Avenue Laconia
Grantor Grantee Recorded Book/Page		Sylvia Batchelder & Paula DuBois, Tr Waterfront Marine Holdings, LLC BCRD 2837/84		L and D Properties, LLC Charter Foods North, LLC BCRD 2943/613		Laconia Mill Associates, LLC Rivers Edge Laconia, LP BCRD 2905/141
Effective Sale Price	Estimate	\$525,000		\$375,000		\$439,000
Price Per Acre		\$477,273		\$526,685		\$234,759
Data Source		Public records, NECPE, Broker		Real Data		Public records, NECPE, Broker, Buyer's Rep
Expenditures After Sale		None		Demolition	\$ 15,000	Demo & remediation \$ 135,900
Date of Sale & Market Conditions Adj.		Description	Adjustment	Description	Adjustment	Description Adjustment
		3/21/2013	+16.4%	11/25/2014	+12.4%	3/17/2014 +14.0%
Adjusted Price per Acre		\$555,545		\$615,674		\$350,474
Location	Good	Similar		Similar		Similar
Zoning	Commercial	Commercial		Commercial		Downtown Riverfront
Site Area (Acres)	1.57	1.10		0.712	-15%	1.87
Road Frontage	91'	358'		290'	-10%	402.32' -10%
Characteristics	Waterfront	Level		Level		Sloping
Easements		ROW / no impact		Utility/ no impact		Parking, dam access +10%
Net Adj. (Total)		-15%		-25%		+0%
Indicated Value of Subject		\$472,214		\$461,756		\$350,474
		Low \$350,473.80		High \$472,213.64		Mean \$428,147.68

Each of the comparable sales used is located on Union Avenue in Laconia and is considered to be within the subject neighborhood, although Sale 3 is located on the edge of downtown and has different zoning. Sale 3 is considered to be located in a transition area between the two neighborhoods. Sales 1 and 2 are located quite close to the abutting property and both have a history of restaurant use, although Sale 1 has been converted to a marine supply store use. Sale 3 has been redeveloped into 32 income restricted apartments with an infant daycare on-site by a local housing organization. Adjustments for property rights, financing and atypical motivation were considered and found to be unnecessary. The Laconia commercial land market has not been active and prices have not changed much over the relevant period. Since the sales are older, it was important to adjust for inflation over this period, even if significant appreciation has not been evident. The sales have been adjusted by 0.2% per month or 2.4% annually, from the date of sale to the date of value.

Property adjustments were made for the differences in site size, the significant differences in road frontage between the abutting property and each of the sales and for easements that limit utility of the sales. No adjustment was made for water frontage since the highest priced sale, before adjustments, did not have any frontage on a water body.

The adjusted sales indicate a range of \$350,474 to \$472,214 per acre. Sale 3 is least similar in location, zoning and use and is given the least weight. The other two sales form a tight range and the abutting property warrants a value between these indicators, or **\$465,000 per acre**. This would result in a market value of \$730,050 rounded to **\$730,000 before assemblage** with Segment 1 and \$855,600 rounded to **\$855,000 after assemblage** to the 0.27 usable acre of Segment 1.

The \$125,000 difference between these values represents the fee simple contributory value of Segment 1 of the subject. It is, however, appropriate to consider the access rights the abutting property already has through Segment 1, the restrictions due to the Black Brook wetland buffer which encompasses this entire Segment and the rights that will continue to be held by the owners of the gas pipeline. These restrictions, taken together, restrict the property rights, utility and marketability of Segment 1 by an estimated 75%. This is calculated as follows:

$$\begin{aligned} \$125,000 \text{ unrestricted contributory value} \times 25\% \text{ (after restrictions)} &= \$31,250 \\ \text{Rounded } \$31,000 \end{aligned}$$

Segment 2

This segment is a 4,130 square foot area that would best be used by its abutter to the east, the Cactus Jack/T-Bones restaurant parcel. The restaurant parcel is a 1.35± acre, fully developed, commercial parcel with good exposure to Union Avenue traffic but no water frontage. It is very similar to the abutting parcel analyzed for Segment one except for its lack of water frontage, and that has been determined to have no positive impact to value through analysis of the comparable sales. Consequently, the conclusion of \$465,000 per acre from the Segment 1 analysis of the abutter's site is applicable to the Segment 2's abutting site also. This is calculated as follows:

Before: \$465,000 per acre X 1.35± acres = \$627,750, rounded to \$630,000
 After: \$465,000 per acre X 1.44± acres = \$669,600, rounded to \$670,000

The \$40,000 difference represents the contributory value of Segment 2, assuming it contributed the same utility as the rest of the site. Segment 2, however, does not have existing vehicular access without obtaining access via an agreement over the abutting Spinnaker Cove property. In addition, a portion of the area is impacted by the natural gas pipeline. These are significant impediments to the utility and value of Segment 2 and its contribution to the value of the abutting site is reduced by 50% as a result. Segment 2's contributory value is estimated to be \$20,000.

Segment 3

Before Sales Comparison Grid - Segment 3					
Item	Abutting Property	Comparable Sale I-1		Comparable Sale I-2	Comparable Sale I-3
Location	Union Avenue Laconia	21 Sawmill Road Gilford		244 Daniel Webster Highway Belmont	Enterprise Court Meredith
Grantor Grantee Recorded Book/Page		McGinley Development, Inc. Nobri Properties, LLC BCRD 3084/B58		Scott R. Clark Susan Youssef, Trustee BCRD 3155/310	Townsend Davis Thorndike Northeast Self-storage, Inc. BCRD 3146/818
Effective Sale Price	Estimate	\$250,000		\$150,000	\$70,000
Price Per Acre		\$147,059		\$136,364	\$44,025
Data Source	Public records, Appraiser		Public records, Appraiser		Public records, Broker
Expenditures After Sale	None		Demolition	\$ 10,000	None
Date of Sale & Market Conditions Adj.	Description 1/17/2017		Adjustment +7.2%	Description 12/29/2017	Adjustment +5.0%
Adjusted Price per Acre	\$157,647			\$152,727	\$46,226
Location	Average	Similar		Superior -10%	Inferior +30%
Zoning	Commercial	Professional Commercial		Commercial	Business & Industry
Site Area (Acres)	1.42	1.70		1.1	1.59
Road Frontage	None	640' on 2 roads		-15% 333'	-10% on 3 roads
Physical Characteristics	Waterfront	Irregular configuration		+10% Level	Mostly level
Easements/restrictions	Shoreland Protection	Bisected by stream		None	Drainage-no impact
Net Adj. (Total)		-5%		-20%	+15%
Indicated Value of Subject		\$149,765		\$122,182	\$53,160
		Low \$53,160.38		High \$149,764.71	Mean \$108,368.97

The abutting property to Segment 3 has no road frontage or visibility, is accessed over the Spinnaker Cove parcels and is used for boat storage, an industrial use. The sales used in this analysis have lower visibility or are less accessible or are located in less developed areas. Sale I-1 is located in a "business park" and will be developed with a medical office building. Sale I-2 was purchased for the expansion of the Lakes Region Dock business, the property's abutter and a similar use to the abutter to Segment 3. Sale I-3 was purchased for development/expansion of a storage facility in a business/industrial park where lots have been on the market for years. Adjustments for property rights, financing and atypical motivation were considered and found to be unnecessary. Sale I-2 was adjusted for the anticipated cost of demolition of the older home on the site. The Lakes Region business/industrial land market has not been active and prices have not changed much over the relevant period. The sales have been nominally adjusted for inflation by 0.2% per month or 2.4% annually, from the date of sale to the date of value.

Property adjustments were made for the differences in location, the significant differences in road frontage between the abutting property and each of the sales, and for physical characteristics. No adjustment was made for water frontage since this property type does not typically benefit from waterfront amenities, and often it can reduce the utility of the site.

The adjusted sales indicate a wide range from \$53,160 to \$149,765 per acre. The low end of the range is a property located in a business park in Meredith that has been advertising lots for sale for years and is least similar to the subject and is given the least weight. The other two sales form a much tighter range. The site that abuts Segment 3 warrants a value estimate near the bottom of the smaller range, or \$125,000 per acre. This would result in a market value of \$177,500, rounded to **\$175,000 before assemblage** with Segment 3 and \$286,250 rounded to **\$285,000 after assemblage** to the 0.87 acre of Segment 3.

The \$110,000 (\$2.90 per SF) difference between these values represents the fee simple contributory value of Segment 3 of the subject. It is, however, appropriate to consider the rights that will continue to be held by the owners of the natural gas pipeline. The estimated encumbered area that impacts Segment 3 is calculated to be 9,216 square feet. Research, including relevant articles and surveys, indicates that fees paid for pipeline easements can range from 25% to 100%, but are most commonly valued at 50% of the fee simple interest. An impact estimate of 50% has been used to calculate the impact to the value of the encumbered area, as follows:

$$\begin{aligned} \$2.90 \text{ per SF unrestricted contributory value} \times 9,216 \text{ SF} \times 50\% \text{ for pipeline} &= \$13,363 \\ \$110,000 - \$13,500(\text{Rounded}) &= \$96,500, \text{ as encumbered contributory value} \end{aligned}$$

Segment 4

This segment is a 1.49± acre area that would best be used by one or more of its commercial abutters to the east, the hardware store parcel, the D'Angelo's restaurant parcel or the Midas auto servicing parcel. Each of these abutting parcels are fully developed, commercial parcels with good exposure to Union Avenue traffic but well above the elevation of Segment 4. Taken in consideration with the restrictions imposed by the WSP and the long narrow configuration, only part of which would add utility to any potential abutter, it is clear that the per unit value that Segment 4 would contribute would be significantly reduced. The values of the abutting parcel are very similar to the abutting parcel analyzed for Segment 1. Consequently, the conclusion of \$465,000 per acre from the Segment 1 analysis of the abutter's site is applicable to the Segment 4's abutting sites also. The contributory value of the subject Segment 4 is estimated to represent an estimated 10% of the per acre value of each of the abutting parcels due to the factors discussed above. This is calculated as follows:

$$\begin{aligned} \$465,000 \text{ per acre} \times 1.49 \text{ acres} \times 10\%(\text{after restrictions}) &= \$69,285 \\ \text{Rounded} &= \$70,000 \end{aligned}$$

Segment 5

This Segment's highest and best use is assemblage with a 0.75± acre parcel that lacks its own access and currently travels over the adjacent parcel under related ownership to reach Blaisdell Avenue. The analysis for Segment 3 of business/industrial land values is applicable to Segment 5 as well. The adjustments applied in the Segment 3 analysis would also be appropriate for Segment 5's abutter, the only significant difference being Segment 5's abutter has a smaller lot size in the before scenario. As industrial use properties are less sensitive to small differences in lot size, the adjusted range is considered applicable for the Segment 5 contributory value. Based on the neighborhood uses and values for Segment 5, it is the appraiser's opinion that it is appropriate to reconcile more toward the low end of the range of indicated values, or **\$60,000 per acre**. The contributory value of Segment 5 is calculated as follows:

$$\begin{aligned} \text{Abutting site "after" assemblage with Segment 5} &= 1.66\pm \text{ acres} \times \$60,000 \text{ per acre} = \$100,000(\text{rounded}) \\ \text{Abutting site "before" assemblage with Segment 5} &= 0.75\pm \text{ acre} \times \$60,000 \text{ per acre} = \$45,000(\text{rounded}) \\ \text{Contributory Value of Segment 5} &= \$55,000 \end{aligned}$$

Summary of Contributory Value Conclusions

Segment 1	\$31,000
Segment 2	\$20,000
Segment 3	\$96,500
Segment 4	\$70,000
Segment 5	\$55,000
Total	\$272,500

Most of the sale data I found in my research required anywhere from one to three years of marketing time to sell. In light of the market activity for this property type and the specific data I used to arrive at my value estimate, it is my opinion that the subject site, if vacant, would have an exposure time of one to four years.

Reconciliation and Conclusion

The five segments of the subject discontinued rail corridor have been evaluated to determine their individual highest and best uses, all of which were deemed to be for assemblage to one of their abutting properties. As a result, opinions were developed of their contributory value to the abutting site that resulted in the highest and best use for that segment. Commercial land sales and business/industrial land sales were analyzed to indicate the values of the abutting sites. Consideration was given to encumbrances, restrictions and other factors that limited the utility of the various segments, such as configuration and topography. The conclusions of the contributory value for each segment are summarized above.

Based on the foregoing, I estimate the total contributory value of the five segments that make up the subject site as of January 2, 2020 to be \$272,500.