

HOSCH APPRAISAL & CONSULTING, INC
WORK FILE MEMORANDUM

DATE: September 11, 2018

TO: File #HAC18013-00 (Street Reconstruction Projects)

FROM: Hosch Appraisal & Consulting, Inc.

RE: **Conclusions of Broad Market Research and Reasonableness of Proposed Special Assessments for Various Street Reconstruction Projects in Saint Paul, Minnesota.**

SUMMARY

We have been retained to provide appraisal consulting services that explore the general impacts on market value for various property classifications and the reasonableness of proposed special assessments resulting from various 2018 City of Saint Paul Public Improvement Projects. This work file memorandum documents the verbal reports of conclusions we communicated to Bruce Engelbrekt with the City of Saint Paul in a series of phone calls leading up to September 6, 2018. This memo also includes further documentation of our research as it pertains to project-specific ranges of benefit to market value. This file memorandum documents the final results and conclusions pertaining to this consulting assignment.

We have been asked to provide an opinion as to whether the proposed special assessments for a given project are generally supportable due to increased real estate market values resulting from benefits associated with the subject project. The conclusions of this analysis refer to general property classifications only and are not intended to provide conclusions of market value impacts or the reasonableness of the proposed assessment for any one property. Further information regarding the scope of work is outlined in the contract of engagement.

For purposes of this assignment we have relied upon the county assessor's estimated market values and we have aggregated the assessed values for each property classification in order to determine the reasonableness of proposed assessments for each property classification within a given project. According to the most recent available Twelve Month Sales Ratio Study published by the Minnesota Department of Revenue the Ramsey County Assessor's Office has mean sales ratios ranging from 94.9 to 97.1 for the most common property types in St. Paul, Minnesota, indicating that on average properties in St. Paul are assessed at approximately 94.9% to 97.1% of actual sales prices. Since the sales ratio study indicates that the assessor's estimated market values provide a reasonable measure of support for actual market values we have determined that use of the assessor's market values is appropriate for this analysis. The aggregate pre-project market value indications used in these analyses are based on the Ramsey County Assessor's estimated market values as of January 2, 2017, for real estate taxes payable in 2018, and estimated market values as of January 2, 2018, for real estate taxes payable in 2019.

Project descriptions and tables for each project showing the aggregate proposed special assessments as they relate to aggregate property value by property classification and conclusions of reasonableness and ranges of supportable project-specific benefits to market value are provided on the following pages. The conclusions of reasonableness and ranges of supportable benefit that were shared with our client are not property specific and are intended to provide broad direction as to the anticipated benefit that is generally supportable for each property classification based on our market research.

Como Avenue Reconstruction

The project seeks to improve Como Avenue from Commonwealth Avenue to Brompton Street by reconstructing the pavement and improving the existing bicycle and pedestrian facilities. Improvements to be made as part of the project include constructing new bituminous surfaced streets with concrete curb and gutter, concrete driveway aprons, bituminous path and boulevards landscaped with sod and trees. Damaged sidewalks will be replaced as necessary and will improve public safety by eliminating tripping hazards and pooling water. The existing wood pole lights will be replaced with lantern style lights as part of the project. In addition, appropriate sanitary sewer repairs will be made, and storm and sanitary sewer reconnections will be made at the request of property owners.

SUMMARY OF PROPOSED ASSESSMENTS BY PROPERTY CLASSIFICATION			
Property Classification	Aggregate Pre-Project Market Value of Assessed Properties*	Aggregate Proposed Special Assessment	Proposed Special Assessment as Percentage of Pre-Project Market Value*
Single-Family	\$9,946,800	\$227,148.00	2.28%
Multi-Family	\$8,912,600	\$105,352.48	1.18%
Commercial/ Retail	\$6,802,200	\$77,124.56	1.13%
Mixed Use Comm./ Residential	\$2,049,400	\$31,578.56	1.54%
Medical Office	\$688,300	\$11,386.50	1.65%
Office	\$5,275,900	\$57,000.80	1.08%
Religious/Education	\$17,331,100	\$151,640.16	0.88%
Total	\$51,006,300	\$661,231.06	1.30%

* Market value based on Ramsey County Assessor's Estimated Market Value as of January 2, 2017.

<u>Property Classification</u>	<u>Conclusion of Reasonableness</u>	<u>Supportable Project-Specific Benefit to Market Value</u>
Single-Family	Reasonable	Up to 3.0%
Multi-Family	Reasonable	Up to 3.0%
Commercial/Retail	Reasonable	Up to 5.0%
Mixed Use Comm./Res.	Reasonable	Up to 5.0%
Medical Office	Reasonable	Up to 5.0%
Office	Reasonable	Up to 5.0%
Religious/Education	Reasonable	Up to 3.0%

Woodlawn/Jefferson Avenues Reconstruction

Improvements to be made as part of the project include constructing new bituminous surfaced streets with concrete curb and gutter, concrete driveway aprons, bituminous path and boulevards landscaped with sod and trees. Damaged sidewalks will be replaced as necessary and will improve public safety by eliminating tripping hazards and pooling water. The existing wood pole lights will be replaced with lantern style lights as part of the project. In addition, appropriate sanitary sewer repairs will be made, and storm and sanitary sewer reconnections will be made at the request of property owners.

SUMMARY OF PROPOSED ASSESSMENTS BY PROPERTY CLASSIFICATION			
Property Classification	Aggregate Pre-Project Market Value of Assessed Properties*	Aggregate Proposed Special Assessment	Proposed Special Assessment as Percentage of Pre-Project Market Value*
Single-Family (Move-up and Mid-level)	\$14,498,700	\$231,400.00	1.60%
Single-Family (Executive)	\$27,893,100	\$433,615.01	1.55%
Single-Family (Luxury)	\$12,187,000	\$130,000.00	1.07%
Multi-Family	\$355,800	\$5,200.00	1.46%
Total	\$54,934,600	\$800,215.01	1.46%
* Market value based on Ramsey County Assessor's Estimated Market Value as of January 2, 2017.			

<u>Property Classification</u>	<u>Conclusion of Reasonableness</u>	<u>Supportable Project-Specific Benefit to Market Value</u>
Single-Family (Move-up and Mid-level)	Reasonable	Up to 3.5%
Single-Family (Executive)	Reasonable	Up to 3.0%
Single-Family (Luxury)	Reasonable	Up to 2.0%
Multi-Family	Reasonable	Up to 3.0%

Wheelock Parkway Reconstruction

Improvements to be made as part of the project include constructing new bituminous surfaced streets with concrete curb and gutter, concrete driveway aprons, bituminous path and boulevards landscaped with sod and trees. Sidewalks will be added where appropriate and will improve public safety by eliminating tripping hazards and pooling water. The existing wood pole lights will be replaced with lantern style lights as part of the project. In addition, appropriate sanitary sewer repairs will be made, and storm and sanitary sewer reconnections will be made at the request of property owners.

SUMMARY OF PROPOSED ASSESSMENTS BY PROPERTY CLASSIFICATION			
Property Classification	Aggregate Pre-Project Market Value of Assessed Properties*	Aggregate Proposed Special Assessment	Proposed Special Assessment as Percentage of Pre-Project Market Value*
Single-Family	\$9,330,300	\$279,484.00	3.00%
Multi-Family	\$395,300	\$6,420.00	1.62%
Total	\$9,725,600	\$285,904.00	2.94%

* Market value based on Ramsey County Assessor's Estimated Market Value as of January 2, 2018.

<u>Property Classification</u>	<u>Conclusion of Reasonableness</u>	<u>Supportable Project-Specific Benefit to Market Value</u>
Single-Family	Reasonable	Up to 3.0%
Multi-Family	Reasonable	Up to 2.5%

In addition to conclusions of reasonableness of the proposed special assessments by property classification for each of the street reconstruction projects we also provided conclusions of our broad market research as it pertains to specific property classifications in general. Outlined below are the concluded ranges of benefit as a percentage of market value for each property classification. The concluded ranges of benefit correspond to the maximum anticipated benefit as a percentage of market value that a typical property within a classification would receive from similar street reconstruction projects without adjusting for project-specific influences. These conclusions can be further analyzed and refined on project-by-project basis based on the existing conditions prior to reconstruction and the anticipated improvements and associated benefits resulting from each of the projects.

<u>Property Classification</u>	<u>Concluded Benefit Range As % of Market Value</u>
Single-Family (Entry Level)	Up to 3.0%
Single-Family (Move-up)	Up to 3.5%
Single-Family (Mid-level)	Up to 3.5%
Single-Family (Executive)	Up to 3.0%
Single-Family (Luxury)	Up to 2.0%
Multi-Family	Up to 3.0%
Commercial/Retail	Up to 5.0%
Mixed Use Comm./Res.	Up to 5.0%
Medical Office	Up to 5.0%
Office	Up to 5.0%
Religious/Education	Up to 3.0%
Vacant Land	Varies Depending On Use