

**Analysis of Public Sewer Benefit
for
Properties located in the
Sound View Beach Community
Old Lyme, CT 06371**

Prepared for:

**Sound View Sewer Coalition, LLC
P.O. Box 399
South Lyme, CT 06376-9992**

Prepared by:

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Guilford, Connecticut**

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May 29, 2020

Mr. Frank Pappalardo
c/o Sound View Sewer Coalition, LLC
P.O. Box 399
South Lyme, CT 06376

**Re: Sewer Benefit Analysis - Sound View Beach Association in Old Lyme,
Connecticut**

Dear Mr. Pappalardo:

In accordance with your request, I have prepared an **Appraisal Report** addressing the **value of the Special Benefit** by product of the proposed **Community Sewer System that would service Sound View Beach Association Properties**. The effective date of the appraisal is May 12, 2020, the most recent date of inspection. The description of the property together with definitions of market value and other pertinent appraisal terminology is presented in the section of the report titled Nature of Assignment. Your attention is also directed to the subsection titled Assumptions and Limiting Conditions which further identifies the scope and use of this report.

In addition to a careful physical inspection and analysis of the subject property, other matters considered pertinent to, and indicative of, the market value of the subject have been examined. Such influences include social, economic, governmental and environmental characteristics of the neighborhood together with an assessment of pertinent market trends and market sales data. The accompanying narrative report sets forth these findings and conclusions, together with maps, plats, photographs and other exhibits which are considered essential in explaining the basis for the final conclusions of value.

Mr. Frank Pappalardo

May 29, 2020

Page 2

This appraisal has been made in compliance with the requirements of the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Foundation.

This report does not take into consideration the impact, if any caused by the COVID -19 Virus. As of the time of this appraisal, there was simply not enough information to measure any impact on property value.

Based on the foregoing investigation and analysis of data which have been considered, it is the opinion of the undersigned that the "**Special Benefit**" to the various property types are summarized as follows:

Property Type	Estimate of Special Benefit
Residential	7.0% of Property Value
Restaurant/Mixed Use	10.0% of Property Value

Respectfully submitted,
NADEAU & ASSOCIATES
REAL ESTATE APPRAISERS

Marc P. Nadeau

Marc P. Nadeau, SRA
Certified General Appraiser, CT 443

CERTIFICATE OF VALUE

The undersigned certifies:

1. The statements contained in this report are true and correct.
2. The reported analysis, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal impartial and unbiased professional analysis, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved with this assignment.
4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. My compensation is not contingent the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value estimated, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analysis, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Practice.
7. I have made a personal inspection of the property that is the subject of this report.
8. No one provided significant real property professional assistance to the person signing this report.
9. This report is not based upon a requested minimum valuation, specific valuation or approval of a loan.
10. Your appraiser has not provided any services relative to this property during the three years immediately preceding the acceptance of this assignment.
11. That by reason of his investigation and by virtue of his experience, he has been able to form the opinion that the various property types have a benefit equal to 7.00% of value for residential properties, 10.00% of value for commercial use properties.

Marc P. Nadeau

Marc P. Nadeau, SRA

TABLE OF CONTENTS

SUMMARY OF SALIENT FACTS AND CONCLUSIONS	1
NATURE OF ASSIGNMENT	
PROPERTY IDENTIFICATION	4
LEGAL DESCRIPTION OF THE SITE	4
PURPOSE AND DATE OF THE APPRAISAL	4
INTENDED USE OF THE APPRAISAL	4
DEFINITION OF MARKET VALUE	5
PROPERTY RIGHTS BEING APPRAISED	5
EXTENT OF THE ASSIGNMENT	7
HISTORY OF OWNERSHIP	8
LIMITING CONDITIONS AND ASSUMPTIONS	9
CITY AND NEIGHBORHOOD ANALYSIS	
TOWN/NEIGHBORHOOD ANALYSIS	17
THE APPRAISAL PROCESS	
SALES COMPARISON APPROACH - RESIDENTIAL	23
SPECIAL BENEFIT ESTIMATE - RESIDENTIAL PROPERTIES	27
SALES COMPARISON APPROACH -COMMERCIAL PROPERTIES	28
SPECIAL BENEFIT ESTIMATE - COMMERCIAL PROPERTIES	29
ESTIMATED MARKETING TIME	45
RECONCILIATION, CERTIFICATION AND QUALIFICATIONS	
FINAL RECONCILIATION OF VALUE	
ADDENDA	
APPRAISER'S QUALIFICATIONS	

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Effective Date:	May 12, 2020
Location of Property:	There is no one specific property but, an analysis addressing the blanket of properties located within Sound View Beach Association, inclusive of both residential and commercial properties.
Property Description:	The properties impacted by the new sewer assessment range from small seasonal cottages to several commercial properties, inclusive of several restaurant and retail properties.
Zoning:	There are multiple zones including that of Sound View Village District (SVVD), R-10 and C-10.
Function of appraisal:	To assist in estimating proper sewer assessments for the various properties.
Purpose of Appraisal:	To estimate the contributory value or the Special Benefit of adding sewers to this community.
Environmental:	There are no environmental conditions noted for any of the properties within Sound View Association.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS continued...

Premiums Estimated for Sewer Connections

Residential Properties: 7.00%

Commercial Properties: 10.00%

Appraiser:

**Marc P. Nadeau
Connecticut Certified General Appraiser
No. 0000423, expires 5/1/21**

NATURE OF ASSIGNMENT

PROPERTY IDENTIFICATION

There is no specific property designation for this report, as the contained analysis addresses the estimated premium associated with a class of properties, as opposed to one specific property. All of the properties are located within the Sound View section in Old Lyme, Connecticut in New London County.

PURPOSE AND DATE OF THE VALUATION

The purpose of this appraisal is to estimate the **Special Benefit of the sewer connections relative to the various properties within the Sound View Association**. The effective date of the appraisal is May 12, 2020.

INTENDED USE OF THE APPRAISAL

The intended use or function of the appraisal is to serve as a basis for a sewer assessment.

INTENDED USER OF THE APPRAISAL

The intended user of the appraisal is Sound View Sewer Coalition, LLC.

DEFINITION OF MARKET VALUE

Market Value: "Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from the seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

PROPERTY RIGHTS BEING APPRAISED

The property rights being appraised are those of **fee simple**. Fee simple estate is defined in The Dictionary of Real Estate Appraisal (Third Edition, 1993), sponsored by the Appraisal Institute, as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

EXPOSURE TIME

"The estimated length of time that the property interest being appraised would have been offered to the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." USPAP, 2016-2017 Edition

EXTENT OF THE ASSIGNMENT

The extent or scope of this appraisal is concerned with developing an **Valuation Analysis** addressing the estimated impact of the installation of sewers.

In the case of the subject properties, your appraiser is developing a comparative analysis utilizing sales of water-influenced properties with sewer connections, as well as sales of water-influenced properties that rely upon septic systems for waste disposal.

The analysis includes both dwellings and commercial properties.

I have researched **Old Lyme** and the surrounding towns for similar type property transfers. The sales and rental income data were verified by a combination of methods including conversations with principals involved with the particular transaction, real estate brokers or other appraisers. This data may also have been obtained from county registry of deed offices, tax assessors or knowledgeable third-party participants in a transaction. The data was researched to identify comparable improved sales. Each of these sales were adjusted in order to indicate a market value for the subject property. This adjustment process is based on a paired sales analysis in abstracting the adjustments out of the market data when possible.

For this valuation, the pertinent investigations included regional, city and neighborhood analysis and improvement analysis.

A physical inspection was made of a sampling of improvements, inclusive of residential dwellings and commercial improvements within the Sound View Beach District. The inspections were made between May 12, 2020 and May 25th, 2020.

The ***Sales Comparison Approach*** is based on the assumption that an informed buyer will pay no more for a property than the cost of acquiring an existing property with the same utility. The appraisers have considered the sales and listings of similar industrial/commercial type buildings in Old Lyme and the surrounding area. Each of these sales are adjusted for differences such as date of sale, financing, location, physical characteristics and condition in order to indicate a value for the subject property. **In separate appraisals, your appraiser has already appraised a sampling of both residential and commercial improvements within the Sound View Beach Association.** These appraisals establish the value for specific properties as well as potentially being used to benchmark other properties that are not part of this valuation.

The ***Income Capitalization Approach*** is based on the economic principle that the value of a property capable of producing income is the present worth of anticipated benefits. The annual cash flow or net income projection was converted into a present value indication by using a direct capitalization process. The method(s) used depends upon the quality and quantity of the available market data as well as the subject's income stream. The basis for the Income Capitalization Approach considers a market rent survey conducted by the appraisers and data from the subject's existing lease if available. The appraisers also interviewed several real estate brokers and managers in the area to develop market rental rates, occupancy, existing inventories and market projections in the final determination of market rent and occupancy assumptions. **This approach was not developed.**

LIMITING CONDITIONS AND ASSUMPTIONS

This appraisal report is subject to the following assumptions and limiting conditions and to special assumptions set forth in various sections of the appraisal report. These special assumptions are considered necessary by the appraisers to make a proper estimate of value in accordance with the appraisal assignment and are made a part herein, as though copied in full.

1. **LIMIT OF LIABILITY** - Liability of Nadeau & Associates and its associates is limited to the fee collected for preparation of the appraisal. There is no accountability or liability to any third party.
2. **COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT** - Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remains the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copied without the written consent of Nadeau & Associates, and then only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, news, sales or other media, without the written consent and approval of Nadeau & Associates Real Estate Appraisal, nor may any reference be made in such a public communication to the Appraisal Institute or SRA designations.

3. **CONFIDENTIALITY** - The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or his designee as specified in writing (except as may be required by the Appraisal Institute as they may request in confidence for ethics enforcement), or by a court of law or body with the power of subpoena.

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis which are set forth in the report were prepared by the appraiser(s) whose signature(s) appears on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the report shall be made by anyone other than the appraiser, and the appraiser and firm shall have no responsibility if any such unauthorized change is made.

4. **TRADE SECRETS** - This appraisal was obtained from Nadeau & Associates Real

Estate Appraisal and consists of "trade secrets and commercial or financial information" which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b)(4). Notify the appraiser(s) signing the report or Nadeau & Associates Real Estate Appraisal of any request to reproduce this appraisal in whole or in part.

5. **INFORMATION USED** - No responsibility is assumed for accuracy of information furnished by or from others, the client, his designee, or public records. We are not liable for such information or the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit; all are considered appropriate for inclusion to the best of our factual judgment and knowledge.
6. **TESTIMONY, CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICES** - The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee.
7. **EXHIBITS** - The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose and are not intended to represent the property in other than actual status, as of the date of the photos.
8. **LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL, OR MECHANICAL NATURE, HIDDEN COMPONENTS, SOIL** - No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraiser.

The appraiser has inspected, by observation, the land and the improvements thereon; however, it is not possible to personally observe conditions beneath the soil or hidden structure, or other components, or any mechanical components within the improvements; no representations are made herein as to these matters unless specifically stated and

considered in the report; the value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm; however, the degree of subsidence in the area is unknown. The appraiser(s) does not warrant against this condition or occurrence of problems arising from soil conditions.

The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Condition of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

9. **THE EXISTENCE OF HAZARDOUS SUBSTANCES** - No judgment is made as to adequacy of type of insulation or energy efficiency of the improvements or equipment. Further, unless otherwise stated in this report, the appraiser(s) have no knowledge of the existence of hazardous waste products or any resultant contamination, including, without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions which were not called to the attention of nor did the appraiser(s) become aware of such during the appraiser's inspection. The appraiser(s), however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

Also, the appraisers have not commissioned an environmental audit of the property being appraised, nor have we been provided such a report that would indicated presence or absence of hazardous materials/contamination. The appraiser(s) represents that he is not an expert to appraise insulation or other products banned by the Consumer Products Safety Commission which might render the property more or less valuable, and in connection with this appraisal, the appraiser(s) has not inspected for, tested for, nor taken into consideration in any respect, the presence or absence of insulation or other products described above.

Therefore, the appraiser(s) assumes no responsibility in the event the presence or absence of insulation, hazardous waste contamination, or other products increase or decrease the value of the property from the value placed thereon by the opinion of the appraiser.

10. **LEGALITY OF USE** - The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report. Further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority from local, state, federal and/or private entities or organizations have been or can be obtained or renewed for any use considered in the value estimate.
11. **COMPONENT VALUES** - The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
12. **AUXILIARY AND RELATED STUDIES** - No environmental or impact study, special market study or analysis, highest and best use analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraiser reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study or analysis or previous study or analysis subsequently becoming known to him.
13. **DOLLAR VALUES, PURCHASING POWER** - The market value estimated and the costs used are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.
14. **INCLUSIONS** - Furnishings and equipment or business operations, except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered.
15. **PROPOSED IMPROVEMENTS, CONDITIONED VALUE** - Improvements proposed, if any, on or off-site, as well as any repairs required, are considered, for purposes of this appraisal, to be completed in good and workmanlike manner according to information submitted and/or considered by the appraiser(s). In cases of proposed construction, the appraisal is subject to change upon inspection of property after

construction is completed. This estimate of market value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

16. **VALUE CHANGE, DYNAMIC MARKET, INFLUENCES** - The estimated market value is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

In cases of appraisals involving the capitalization of income benefits, the estimate of market value is a reflection of such benefits and appraiser's interpretation of income and yields and other factors derived from general and specific market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market is dynamic and may naturally change over time.

17. **MANAGEMENT OF THE PROPERTY** - It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management, neither inefficient nor super-efficient.

18. **GENERAL CONDITIONS** -

- A. The Appraisal Institute conducts a mandatory program of continuing education for its designated members. MAI's and SRA's who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, Marc P. Nadeau has completed the requirements under the continuing education program of the Appraisal Institute.

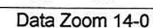
The State of Connecticut conducts a mandatory program of continuing education for its certified appraisers. Appraisers who meet the standards of this program are awarded periodic educational certification. As of the date of this report, Marc Nadeau has completed the requirements under the program and is currently certified under this program.

- B. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.

- C. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT**

CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

REGIONAL, CITY AND NEIGHBORHOOD ANALYSES



OLD LYME/NEW LONDON COUNTY ANALYSIS

Overview

The Town of Old Lyme situated in the southern portion of New London County and has a land area of 23.1 square miles. This portion of New London County on the whole represents a suburban area with some of the most scenic parts of Connecticut. The area is strongly influenced by water with Long Island Sound as a border to the south and the Connecticut River that bisects the county. New London County is one of the least densely populated areas of the state yet one of the few counties in the state that have exhibited constant and healthy growth over the past 10 years. Economically, the base of employment of largely centered around the summer resort/recreation business with the presence of the Connecticut River and Long Island Sound being the primary contributory elements. Manufacturing now plays a smaller role in the overall employment picture of New London County. Old Lyme represents one of the more popular and upscale towns within the County of New London with an estimated population of 7,603 as of 2010. The town has a population density of 329 persons per square mile verses the state average of 742 persons per square mile. The town, which is predominately residential also has a small population of mixed use, light industrial and commercial properties. Also a dominate element of Old Lyme's make-up are large areas designated as wetlands and Long Island Sound. These elements contribute to an overall lower population density. Transportation access is considered very good with Interstate 95, State Route 156 (which is a 2 lane state highway providing access to the shoreline area). Route 156 is further complimented by state route 1.

Transportation:

Old Lyme is serviced by Interstate 95 as well as State Routes 1 and 156. Route 156 provides access to the shoreline area. Route 1 is primarily a north/south artery in this portion of the state accessing the more northern portions of the town.. The combination and quality of roadways lends for excellent access to Old Lyme.

Airport travel is equally accessible with Bradley International Airport in Windsor Locks, Tweed-New Haven Airport in New Haven and Groton Airport being located in Groton, Connecticut. All are located in less than 1 hour driving time. Bradley International provides local, commuter and international flights on a regular basis, Tweed-New Haven offers regional flights to Philadelphia which in turn has connecting regional and international flights. Also available is rail transportation via Amtrak located in nearby Old Saybrook. Amtrak services Boston, New York and the Washington D. C. areas.

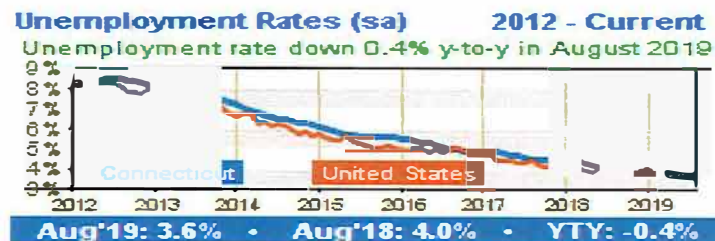
Population/Employment:

Old Lyme had an estimated population of 7,406 as of the 2010 census. That figure is expected to decline to an estimated 7,162 for 2020. This decline in population is indicative of a migration away from Connecticut and the many suburban towns in Connecticut where the population is actually expected to fall. High state and local property taxes along with the many migrating corporate entities that have already relocated elsewhere are playing a large role in this trend.

The economic base of the town is centered around the summer resort/recreation business with the Connecticut River contributing to Old Lyme's appeal. Attractions in the area include Gillette Castle, Cockaponset State Forest, Goodspeed Opera House and a variety of activities along the Connecticut River. A secondary employment base for the town is a population of small specialty and service shops that line portions of Route 1 and Route 156.

Old Lyme is located in the Norwich-New London Labor Market according to the State Department of Labor. This region in comparison to state and national unemployment statistics is as follows:

	<u>March 2020</u>	<u>March 2019</u>
Norwich-New London	4.1%	4.0%
State of Connecticut	3.7%	3.7%
United States	4.4%	3.8%



Economic Trends:

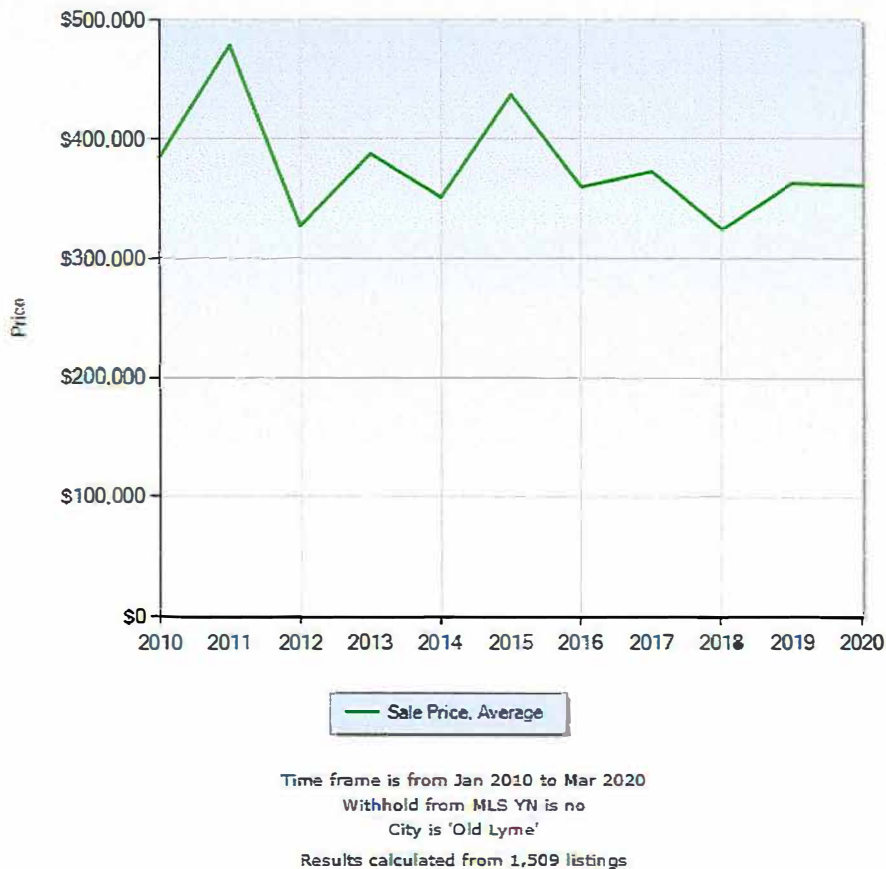
Growth within the Old Lyme area has been slow with little new construction over the past 5 to 7 years. Absorption of housing continues to be slow with the market expected to remain slow. The Federal Reserve continues to do its part by keeping interest rates low but, in areas like Southeast Connecticut where the number of employed has declined and industry continues to shrink and/or relocate, the low interest rates will only help so much.

Economically, the Town of Old Lyme is stable and does not rely so much upon industry (which has been stagnant or recessionary) but upon the local residential base and the tourism industry which has been relatively healthy.

Conclusion:

The current regional economics are considered to be stable with relatively low unemployment and a stable real estate market. The Federal Reserve has done all it can in recent years by infusing monies into the economy and keeping interest rates low. The economy in Connecticut is certainly going through a period of correction with the state struggling to find revenue sources which only appear to be drying up. The relocation of companies like General Electric, Pfizer and United Technologies are having a big trickle down effect throughout the state. Additionally, the effects of COVID-19 are just starting to be felt and will likely have a long-term impact on the employment market and consumer spending.

The chart below shows recent residential price trends in the area:



NEIGHBORHOOD ANALYSIS

The subject property is conveniently located on Hartford Avenue in the extreme southern portion of town. The neighborhood is defined by Route 156 to the north, Long Island Sound to the south, East Lyme to the east and Route 156 to the west. The subject location is located approximately 2.5 miles east of the I-95 access point.

Location/Development Trends

The subject property is located on Hartford Avenue in a water-influenced community which includes a small scattering of commercial improvements along with a high density of what are largely small cottages, many of which have water rights and/or influence. The subject building is one of the few in the immediate area that has a commercial use, with the population of commercial uses in the area waning. Now vacant (and has been for some time) is the old Cherrystones Restaurant site along with two other properties, one of which was a former gas station.

Occupancy for area office and retail space is estimated at 88% to 90%. The occupancy rate estimate is based upon conversations with area brokers and a survey of multiple properties in the area. Demand for good quality space appears to remain healthy. Rental rates for like properties generally range between \$13.00 to \$20.00 per square foot with the tenant paying utilities (depending upon size, age and land area). The office spaces would generally occupy the bottom end of the range while retail spaces would occupy the upper end of the range. Finally, spaces that are older and dated, namely older retail spaces and office use have rates that are in the \$8.00 to \$12.00 range. It should be further noted that the demand for retail space has been waning over the past several years, a trend indicative of the greater percentage of on-line purchases being done by consumers. And, the subject market is largely seasonal with the population swelling during the summer months but shrinking during the cold-weather months.

Property values for like commercial properties have remained stable over the past few years with tenant base and cash flow being key to property value.

Sewer Installation - Subject and neighboring water-influenced communities

According to articles published in the CT Examiner as well as an interview with the town's sanitation engineer, this and other shoreline communities have been plagued with the confluence of waste water and effluent mixing with the water table. As expected, the water table in this shoreline community is high, which combined with the permeable soil types in the area create problems. The answer to the waste water problem is to install sewers, wherein all 238 +/- properties

within the Sound View Beach Association would be connected to the sewer. An assessment will be determined by the Water Pollution Control Authority (WPCA) for each of the properties to be serviced. The town is working with the WPCA to establish a fair way of establishing what each property assessment should be.

There are a number of ways that have been used in the past to establish the “fair” assessments and they include:

- ☐ An equal cost for every property regardless of size or use
- ☐ An assessment based upon property frontage
- ☐ An assessment based upon the lot size
- ☐ An assessment based upon the property value (likely using the assessed value as a benchmark)
- ☐ An assessment based upon the anticipated or actual flow into the system.

In the court case of *Shoreline Care Limited Partnership vs. North Branford*, the State Supreme Court concluded “that a property can be specially benefitted by a sewerage system, and therefore subject to an assessment,, even if it does not connect to the system.” “The measure of the special benefit is the increase in the market value of the property because of the improvement.”

For the purposes of this analysis, the demographics from Old Lyme are presented in the following paragraphs. The neighborhood is identified as Zip Code No. 06371, which is described in the 2019 Source Book of Demographics and Buying Power by CACI.

Economic Considerations

The following data from the Connecticut Department of Labor reveals that the total employed labor market for the Norwich-New London area was 129,000 persons as of March 2020 which is a decrease of 0.3% from the previous year. This decrease in the number of employed is only expected to spike in concert with the fallout from the COVID-19, Virus and the great number of businesses that are now operating at limited capacity or completely shut down.

Governmental Considerations

The Town of Old Lyme is a residentially oriented town with the majority of zoning being residential. Only a very small area is designated commercial. All necessary services are available including school systems, a town library, utilities and fire protection. Taxes are

considered on a par with other areas and communities in this region.

Environmental Considerations

The environmental considerations that impact a neighborhood include such things as land use patterns, terrain, street patterns, nuisances and hazards, and similar characteristics. Properties in the subject neighborhood consist of a mixture of commercial and residential uses and are generally in average condition. Although the appraisers do not have any first-hand knowledge of any environmental hazards within the subject neighborhood, we are not experts in that field and are not qualified to make judgements concerning environmental wastes. The client should satisfy themselves as to the presence of any neighborhood environmental hazards which would adversely impact the neighborhood or the subject property.

Conclusion

Old Lyme is a desirable shoreline town that has seen a positive trend for residential development, a growing commercial base and a stable overall economic base. The excellent transportation facilities available should leave the door open for new development over the coming years though little land is available to build on. During the period ahead Old Lyme's economy will likely keep pace or be slightly ahead of the rest of the state. Commercial property values overall are expected to wane, especially retail-oriented spaces that have faced with a contracting tenant base. The seasonally-impacted nature of the subject market will always be a factor and result in price points that are lower than the predominate market.

The impact of the sewers being connected to the area properties should be a positive one, one that benefits property values and the environment, and one that needs to be carefully measured so that each property owner is treated fairly in the assessment process.

SALES COMPARISON APPROACH

SALES COMPARISON APPROACH

This approach to value is based on the principle of substitution; that is, the value of the property is governed by the prices generally obtained for similar properties. To aid in the analysis of the comparable sales data, several unit measures help to reduce the comparisons to a common denominator.

The sales price per unit, in this case per square foot provides an alternative method of analysis, utilizing a comparative sampling of similar properties. As it relates to a comparative analysis of residential property sales, your appraiser has utilized sales over a five-year period, a period where value points have remained relatively stable for the price point surveyed. In this case, home sales up to \$400,000 were included in the sampling, wherein your appraiser was able to isolate site sizes, dwelling sizes, relative construction quality and a most important common thread, all had beach rights and other recreational amenities.

The sales price/square foot is a unit of comparison which expresses the relationship between value/price and the size of the dwelling. This is a reliable indicator of value, assuming a high degree of comparability among the data set.

The search parameters for the sampling of sales includes the following:

- ☐ Single Family Sales Only
- ☐ Sale Price from Zero to \$400,000
- ☐ Sale Date Parameters ~ June of 2015 to May of 2020
- ☐ All were closed sales
- ☐ All sales were listed on the open market through Multiple Listing (MLS)

The first comparative analysis addresses the residential component of the neighborhood and compares sales in the Point O'Woods area in Old Lyme (which has sewers) and sales from the Sound Beach Area (which doesn't have sewers). The Sound Beach survey includes sales from Old Colony Beach Association (which is adjacent) as well.

In addition to isolating sales with beach influence, the respective sales share a consistency in site size, zoning, average dwelling size and construction quality.

POINT O' WOODS SALES (WITH SEWERS)

Address	Sale Date	Sale Price	Dwelling Size (SF)	Site Size (Acres)	SP/SF	Days on Market
34 Hough Road	7/15	\$216,250	920	.13	\$235	137
5 Walnut Road	10/18	\$264,000	1,200	.14	\$220	244
12 Walnut Road	12/18	\$269,900	932	.20	\$289	6
30 Hillcrest Road	8/18	\$282,000	1,167	.18	\$242	19
30 Hough Road	6/17	\$285,000	936	.12	\$304	6
34 Hillcrest Road	5/17	\$295,000	900	.11	\$328	87
15 Massachusetts Road	3/16	\$304,800	1,162	.11	\$262	293
1 Shore Acres Road	6/19	\$310,750	1,344	.55	\$231	82
33-A Shore Acres Road	10/16	\$315,000	1,363	.78	\$231	345
25 Sea View Road	10/15	\$333,500	1,216	.13	\$274	304
12 Massachusetts Road	8/19	\$335,000	773	.10	\$433	64
15 Seaview Road	7/18	\$340,000	910	.11	\$374	7
19 Ridgewood Road	9/17	\$349,000	1,069	.10	\$326	13
50 Ridgewood Road	11/19	\$350,000	1,075	.10	\$326	27
13 Sargent Road	3/17	\$350,000	1,329	.12	\$263	117
27 Connecticut Road	10/19	\$360,000	1,475	.45	\$244	127
64 Connecticut Road	3/19	\$360,000	1,311	.10	\$275	111
73 Connecticut Road	11/17	\$360,000	1,140	.23	\$316	15
54 Connecticut Road	9/15	\$382,500	910	.13	\$420	42
57 Sea View Road	8/16	\$400,000	971	.16	\$412	8
Averages		\$323,135	1,105	.20	\$300	103

SOUNDVIEW BEACH AND SURROUNDING AREA (WITHOUT SEWERS)

Address	Sale Date	Sale Price	Dwelling Size (SF)	Site Size (Acres)	SP/SF	Days on Market
9 Portland Avenue	2/18	\$175,000	1,288	.23	\$136	4
64 Portland Avenue	2/16	\$180,000	850	.11	\$212	35
6 Old Colony Road	9/15	\$185,000	448	.06	\$413	8
25 Old Colony Road	10/18	\$225,000	612	.06	\$368	4
23 Swan Avenue	5/18	\$226,000	1,243	.18	\$182	27
27 Hartford Avenue	11/17	\$230,000	728	.11	\$316	110
7 Old Colony Road	8/16	\$245,000	736	.17	\$333	28
14 Miami Avenue	10/15	\$245,000	1,000	.20	\$245	161
8 Old Colony Road	7/19	\$263,750	500	.06	\$528	78
34 Portland Avenue	6/18	\$265,000	1,104	.11	\$240	389
54 Gorton Avenue	9/19	\$270,000	1,232	.10	\$219	105
47 Old Colony Road	7/17	\$270,000	1,824	.08	\$148	60
11 Breen Avenue	1/20	\$275,000	952	.11	\$289	76
13 5 th Avenue	7/15	\$275,000	1,032	.23	\$266	13
48 Portland Avenue	6/19	\$282,500	1,200	.11	\$235	34
46 Old Colony Road	6/16	\$290,000	1,080	.06	\$269	0
12 Breen Avenue	6/17	\$297,000	924	.10	\$321	21
27 Portland Avenue	6/18	\$305,000	1,147	.24	\$266	30
57 Portland Avenue	6/18	\$310,000	1,240	.23	\$250	110
31 Brookside Avenue	6/18	\$315,000	946	.08	\$333	71
15 5 th Avenue	8/16	\$315,000	1,212	.23	\$260	376

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SOUNDVIEW BEACH AND SURROUNDING AREA (WITHOUT SEWERS)						
Address	Sale Date	Sale Price	Dwelling Size (SF)	Site Size (Acres)	SP/SF	Days on Market
69 Portland Avenue	5/16	\$320,000	984	.23	\$325	14
57 Old Colony Road	6/15	\$320,000	1,037	.11	\$309	28
59 Old Colony Road	5/18	\$330,000	1,182	.09	\$279	7
57 Old Colony Road	11/18	\$335,000	1,037	.11	\$323	45
23 Breen Avenue	6/18	\$349,900	1,007	.11	\$347	8
54 Portland Avenue	9/18	\$350,000	2,380	.11	\$147	75
55 Swan Avenue	9/16	\$352,000	2,432	.13	\$145	25
68 Old Colony Road	3/19	\$360,000	2,988	.10	\$120	25
16 Sea Spray Road	5/18	\$360,000	1,660	.18	\$217	91
11 Brookside Avenue	4/17	\$375,000	1,240	.20	\$302	2
Averages		\$286,972	1,201	.14	\$269	66

Comparative Analysis - Properties with sewers vs. properties without sewers

A simple comparison of the properties sold in Point O' Woods vs properties in the Sound View Beach area indicated that a 10.3% premium was paid for like properties in Point O' Woods.

Historically, Point O' Woods properties have always sold for a premium over the above that of communities such as Sound View, Old Colony or Miami Beach. The premium is largely due to greater recreational facilities, lower density overall and more homes with direct water influence.

Your appraiser has surveyed all properties that have sold in both Point O' Woods and Sound View between December of 2003 and June of 2009, wherein the majority of the sales are pre-sewer installation.

The following is a summary of that survey:

Location	# of Sales	Average Sale Price
Point O' Woods	35	\$518,791
Sound View	41	\$348,940

The properties in Sound View sold for approximately 32.7% less than Point O' Woods.

Estimated Special Benefit because of sewer installation

Taking the market-derived premium of 10.3%, which in simple comparison reflects the difference of the sewer-connected properties vs. the non-sewer connected properties. Your appraiser must then adjust for the premium associated with Point O' Woods of 32.7%.

Hence: $10.3\% \text{ less } 32.7\% = 6.93\%$, say 7.00% (rounded)

The market-derived premium of 7.00% is the special benefit percentage attributed to the sewers being brought to the residential properties located in Sound View.

Comparative Analysis for Restaurant Properties - Properties with sewers vs. properties without sewers

A large sampling of sales for restaurant properties in the shoreline area unfortunately, was not available, simply because the population of this type of property is very small relative to an overall tax base and secondly, restaurants can often have a lower turnover rate.

Your appraiser has surveyed both New London and Middlesex Counties over the past ten years in search of what would be considered to be a fairly homogenous comparative sampling of sales data. The following is a summary of timely sales of restaurant properties that are most homogenous in terms of their characteristics. All are similar in size, construction, all have large indoor dining spaces and all have an accessory use on site.

The following is a summary of those sales:

RESTAURANT PROPERTIES WITH SEWERS						
Location	Sale Date	Sale Price	Building Size (SF)	Location	SP/SF	Site Size
20 Mechanic Street Stonington, CT	8/19	\$450,000	5,742 S.F.	Good	\$ 78.37	.30 Acres
25 Roosevelt Avenue Mystic, CT	1/18	\$780,000	4,637 S.F.	V. Good	\$168.21	.62 Acres
Averages			5,190 S.F.		\$123.29	.46 Acres

The following is a timely sale of a restaurant property without sewer connection:

RESTAURANT PROPERTY WITHOUT SEWERS						
Location	Sale Date	Sale Price	Building Size (SF)	Location	SP/SF	Site Size
1835 Boston Post Rd Westbrook, CT	8/19	\$540,000	5,220 S.F.	Good	\$103.45	1.0 Acre

The premium paid for the two sewer-connected properties resulted in a 19% premium over and above the non-connected property. In the case of the sewer-connected properties, there is no question that the property with the Mystic location is superior to the Boston Post Road location, hence contributing to a higher percentage of difference. **Your appraiser, based upon experience and a study of properties immediate to downtown Mystic, would adjust the Mystic location down 10%, which in turn results in a premium of 11.0% being paid for the sewer-connected properties.**

Additional Comparisons of Restaurant Properties

The following illustrates an excellent example of restaurant properties that are extremely homogenous in nature, as **all were Tim Horton Donut establishments**. All were built around the same time, all with drive-thru windows and all sold on or about the same time.

The following is a summary of those sales:

RESTAURANT PROPERTIES WITH SEWERS						
Location	Sale Date	Sale Price	Building Size (SF)	Location	SP/SF	Site Size
627 Long Hill Road Groton, CT	4/11	\$200,000	1,736 S.F.	V. Good	\$115.21	.39 Acres
148 South Broad St Stonington, CT	4/11	\$550,000	2,008 S.F.	V. Good	\$273.90	1.23 Acres
Averages			1,872 S.F.		\$194.56	.81 Acres

The following is a timely sale of a restaurant property without sewer connection:

RESTAURANT PROPERTY WITHOUT SEWERS						
Location	Sale Date	Sale Price	Building Size (SF)	Location	SP/SF	Site Size
1250 Gold Star Hwy. Groton, CT	4/11	\$247,000	1,527 S.F.	Good	\$161.76	.56 Acres
563 Providence-New London Turnpike N. Stonington	4/11	\$255,000	2,056 S.F.	Good	\$124.03	.98 Acres
			1,792 S.F.		\$142.90	.77 Acres

The premium paid for the two sewer-connected properties resulted in a 36% premium over and above the non-sewer connected properties. In the case of the sewer-connected properties, both properties enjoyed superior locations with the sale on South Broad Street having a significantly larger site size, contributing to greater utility and accordingly value. **Your appraiser, based upon experience and a study of properties immediate to area, would adjust the sewer-serviced properties down 20%, which in turn results in a premium of 8.92% say, 9.0% being paid for the sewer-connected properties.**

FINAL RECONCILIATION

RECONCILIATION OF SPECIAL BENEFITS

Residential Properties

A search for timely market data for residential properties produced a very good sampling of like sales. Your appraiser in choosing the sampling parameters focused on what was the predominate size and price point for homes in the subject neighborhood. Those samplings produced a comparative summary for the two areas wherein the dwelling sizes, site sizes and utility were very similar. A historical comparison of (pre-sewer) sales in Point O' Woods revealed a logical premium being paid for those properties over and above that of Sound View properties. The product of adjusting for the location difference yielded a premium of 6.93% (rounded to 7.00%) attributed to the sewer connections.

Premium Associated with Residential Sewer Connections - 7.00%

Commercial Properties

The commercial properties in the subject neighborhood included properties that had a restaurant component. Your appraiser has best isolated restaurant property sales, some with sewers and others without sewers. The sampling of commercial sales with a restaurant component was very limited however, your appraiser has found comparisons of both larger restaurants spaces (that would be akin to the Pavilion Restaurant space in the subject neighborhood) and smaller restaurants, in this case the sale of four Tim Horton Donut locations that were of the most homogenous grouping of sales available.

The sets of comparisons yielded a premium range of 9.0% to 11.0% for the properties being service by sewer connections. This market-derived premium is logically higher than the residential premium.

Premium Associated with Commercial Sewer Connections - 10.00%

RECONCILIATION OF VALUE

Residential Properties

A search for timely market data for residential properties produced a very good sampling of like sales. Your appraiser in choosing the sampling parameters focused on what was the predominate size and price point for homes in the subject neighborhood. Those samplings produced a comparative summary for the two areas wherein the dwelling sizes, site sizes and utility were very similar. A historical comparison of (pre-sewer) sales in Point O' Woods revealed a logical premium being paid for those properties over and above that of Sound View properties. The product of adjusting for the location difference yielded a premium of 6.93% (rounded to 7.00%) attributed to the sewer connections.

Premium Associated with Residential Sewer Connections - 7.00%

Commercial Properties

The commercial properties in the subject neighborhood included properties that had a restaurant component. Your appraiser has best isolated restaurant property sales, some with sewers and others without sewers. The sampling of commercial sales with a restaurant component was very limited however, your appraiser has found comparisons of both larger restaurants spaces (that would be akin to the Pavilion Restaurant space in the subject neighborhood) and smaller restaurants, in this case the sale of four Tim Horton Donut locations that were of the most homogenous grouping of sales available.

The sets of comparisons yielded a premium range of 9.0% to 11.0% for the properties being service by sewer connections. This market-derived premium is logically higher than the residential premium.

Premium Associated with Commercial Sewer Connections - 10.00%

ADDENDA

QUALIFICATIONS OF THE APPRAISER

MARC P. NADEAU, SRA, CERTIFIED GENERAL APPRAISER

EDUCATION:

B. S. Cum laude, 1981 New Hampshire College, Accounting & M.I.S.
Real Estate and Individual Taxation - Graduate Studies
Real Estate Studies- New York University 1985
Certified in Appraising Historic Preservation Easements - November 2008

OTHER ADVANCED STUDY:

Real Estate Principles and Practice
Real Estate Principles 8-1, Real Estate Valuation 8-2
Standards of Professional Practice - April 2014, April 2016, April 2018, March 2020
Uniform Standards for Federal Land Acquisitions - April 2020
Appraisal Procedures, April 1993, Business Practice & Ethics, April 2014, April 2020
Environmental Risk - The Appraisal Process, May 1995, Sustainable Strategies for LEED Buildings - April 2014, Appraising Land - March 2016

SEMINARS INCLUDE:

Advanced Real Estate Financial Analysis & Taxation, Parts 1 & 2
Small Hotel/Motel Valuation, April 2006, US & CT Economic Outlook - January 2016
Condominium Conversion, New York University, Condo, Co-op Valuation - 8/2006
Appraising Properties with Detrimental Conditions - December 2003, October 2006
Appraising Historic Properties - June 1990, Analyzing Operating Expenses - 11/2003
Americans w/Disabilities Act - 9/92, Analyzing Distressed Real Estate - 12/06
Eminent Domain & Condemnation - October 1997, April 2006, January 2010, April 2018
Appraisal Law, USPAP Update - January 2012, December 2013, 2015, 2017, 2019
Capitalization Rates - March 2006, Cases in Assessment Litigation - November 2018
Internet Strategies for Appraisers - April 2000, Residential Design - October 2006
Income Valuation of Small Mixed-Use Properties - March 2001
Commercial Appraisal Litigation - November 2018, Appraiser Tools - April 2014

Mr. Nadeau has been a practicing real estate consultant, appraiser and developer since 1982. His services include the appraising and development of real estate projects that include condominium projects, subdivisions, single and multifamily construction. The appraisal of marina properties, water-influenced properties, restaurants and tax appeals are among his specialities. His clients include: individuals, corporations, municipalities, lending institutions and courts of law. Mr. Nadeau has also authored articles on topics that include: partial interest valuation, property revaluation, appraising marinas and appraising historic and architecturally significant properties.

- * Historic Preservation Award - New Haven Preservation Trust 1986
- * Qualified as an expert witness in Connecticut & Vermont Superior Courts and Federal Court
- * Certified General Appraiser - Certification # 443
- * Author/Lecturer ~ Appraisal Institute - 2011~ Present
- * Author ~ Identifying Residential Architectural Styles ~ Publication Date - January 2016
- * Member - Appraisal Institute, Appraisal Institute CT Chapter Board of Directors Elect 2014-2020
- * Guest Speaker at Appraisal Institute National Conference - July 2016

List of Published Articles

- ★ Valuation of Facade Easements ~ Methodology, Trends and Case Study, Published March 2008 in the New England Journal of Real Estate
- ★ Historic Homes ~ An Evolving Market Perspective, Published January 2011, NEJRE
- ★ Partial Interest Valuations ~ Valuing Fractional Interests, Published December 2012, New England Journal of Real Estate
- ★ Life Estates ~ An Approach to Valuation, Published March 2014, NEJRE
- ★ Eminent Domain ~ Interesting and Unusual Cases, Published August 2015, NEJRE
- ★ Life Estates ~ The Remainderman, Published January 2013, NEJRE
- ★ Marina Valuation ~ Published September 2016, NEJRE
- ★ Demographic Shifts and the impact on real estate values, published August 2017, NEJRE
- ★ Life Estates ~ Valuation Methods Revisited, Published September 2018, NEJRE
- ★ Partial Interest Valuation of Real Estate - Published July 2019, NEJRE
- ★ Migration, Demographic Shifts and it's effect on New England Real Estate - Published August 2019, NEJRE

Published Books

- ★ Identifying Residential Architectural Styles, published January 2016 by the Appraisal Institute