

## **DESCRIPTION OF THE IMPROVEMENTS (cont.)**

The construction of the subject water system began during 2008 and was placed in service during 2009. The improvements are estimated to have total physical lives that vary from 10 to 40 years. Therefore, the water system has an actual age of six years and remaining physical lives of between 4 and 34 years. The average physical depreciation calculation based on the age - life estimates results in a total of 18.0% for the entire water system.

The only real property improvements for the water system that are not included with the engineering report consist of the pump station building and land improvements including rock paving and chain link fencing.

### **Building Improvements**

#### **Pump Station Structure**

This is a material storage type structure that has corrugated walls and roof resting on a concrete foundation and floor. The building contains a total of 160 square feet, and there is electric attached. The building structure is approximately six years old and in average condition.

### **Land Improvements**

The parcel that is owned in fee simple title includes rock paving and chain link fencing. The paving and fencing quantities are listed below.

Approximately 1,080 Square Feet of Rock Paving

Approximately 340 Linear Feet of Six Foot High Chain Link Fencing –  
With Rails

The rock paving overall is in fair condition, and the chain link fencing is in average condition.

All of the improvements and tangible assets of the water distribution system are affected by physical deterioration and depreciation. In addition, the improvements are affected by high levels of functional and external obsolescence. The obsolescence is based on the fact that there is a high quantity of improvements within the water distribution system, including approximately 20.6 miles of water pipeline to service a relatively low number of customers. The total number of existing customers is approximately 150, and the total maximum potential

### **DESCRIPTION OF THE IMPROVEMENTS (cont.)**

customers that the system can service is 200 connections. The income potential from 150 to 200 customers does not support the physical depreciated cost of all improvements and tangible assets in the water distribution system. The difference between the value of the water distribution system and the physical depreciated cost of the system is accounted for by obsolescence due to an overimprovement or super adequate improvements for the potential number of customers serviced.

## **PART III – ANALYSES AND CONCLUSIONS**

## **HIGHEST AND BEST USE**

The highest and best use of a property is defined in the Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute as “The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.” The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. The proper analysis of this use requires the consideration of a number of factors such as area trends, neighborhood development trends, economic forces, physical features and zoning. The analysis should begin with a consideration of legal permissibility and zoning. If there is no reasonable probability of obtaining the proper zoning to permit a particular land use in the near future, the potential use is speculative and not a proper foundation for the analysis. It has been found that the highest land values attach to commercial land that is capable of the most intensive development. From this pinnacle, values descend as density demands decrease and potential uses change to industrial, multi-unit residential, single unit residential and agriculture.

The highest and best use of a property is analyzed in two steps. The first step is to analyze the highest and best use of the subject site as if it was vacant. The second step is to analyze the highest and best use as presently improved. If the value of the property is higher as vacant land, compared to the value of the property as presently improved less demolition and clearing costs, an alternate utilization or improvement should be developed.

### **As If Vacant**

The Dana, Long Point, Reading, Ancona water distribution system is located in part of Livingston and LaSalle Counties. Both of the Counties do have existing zoning ordinances in place. The subject property parcel owned in fee simple and eight of the permanent easement areas along the water system are situated in Livingston County. These properties are all outside of any city or village corporation area and are zoned “AG” – Agriculture by Livingston County. The “AG” zoning district allows for agriculture related uses and improvements, municipal related buildings and uses, farm equipment sales and service, special use school properties and one unit residential uses on a minimum of 40,000 square feet with sewer available and 1.50 acres without sewer available. The subject parcel that is owned in fee simple title includes 1.50 acres. It is adjoined by a combination of land being utilized for agriculture crop production, small acreage tract residential property and public school facility across State

## **HIGHEST AND BEST USE (cont.)**

### **As If Vacant (cont.)**

Route 17. All of the adjoining property uses conform to the “AG” zoning district, and the size of the parcel would be adequate to support any of the uses separately or in conjunction with adjoining land for agriculture or public building utilization. The parcel has adequate topography and physical characteristics to support a building improvement such as a rural residence, but there has been limited demand for new rural residential development during the past several years. The parcel has a competitive advantage to attract a potential developer for a rural residence due to the position of the site across roadways from an existing residence and school facility. The highest and best use of this site as if vacant would be for agriculture utilization in conjunction with adjoining land with the potential of future rural residential development.

The eight permanent easement areas in Livingston County encumber sites that are utilized for a combination of rural residences and agriculture crop production. The present uses of the land encumbered by the easements, as well as the existing uses of adjoining land along the easements and water system for agriculture or rural residential generally conform to the “AG” zoning district in Livingston County. The existing improvements of the rural residences continue to contribute to the value of the land, and the agriculture parcels have no imminent potential to support any type of use other than the present use for crop production. Therefore, the highest and best use of the land encumbered by the permanent easements, as if vacant, would be consistent with the present uses for small acreage tract rural residential and agriculture crop production.

There is only one permanent easement area situated in LaSalle County that is at the southwesterly-most point of the water system in the Village of Dana. The permanent easement area is also controlled by a right-of-way permit granted by the Village to the water district, but the easement is considered as a necessity for the support of the water system at the position of the standpipe storage tank. The site is not controlled by an existing zoning ordinance, but is adjoined by a combination of a non-residential community maintenance building, as well as one unit residential properties. The location of the site would generally support one unit residential uses consistent with the majority of properties within the Village of Dana, and the size of the site could support one single unit residence. Therefore, the highest and best use of this site area, as if vacant, would be for the support of a one unit residence or Village uses consistent with the adjoining property.

## **HIGHEST AND BEST USE (cont.)**

### **As If Vacant (cont.)**

The three license agreements included as part of the water district ownership encumber existing railroad right-of-way areas. The railroad right-of-way areas presently support active rail lines, and the highest and best use of the right-of-way areas encumbered by the license agreements would be for a continuation of the use for a railroad corridor supporting an active rail line.

All other area encumbered by the water system is on public or government land that is allowed by Grant of Right-of-Way for utility purposes or Utility Blanket Permits. These areas are generally part of existing roadways or road right-of-way and adjoin a combination of agriculture and rural residential uses outside of Village corporation limits and residential and non-residential properties within the Village corporation limits of Dana and Long Point.

### **As Presently Improved**

The subject property parcels owned in fee simple and permanent easement areas are presently utilized to support improvements and tangible assets of the Dana, Long Point, Reading, Ancona water distribution system. The entire system is affected by physical deterioration or depreciation, as well as substantial levels of obsolescence, but the water system improvements and tangible assets continue to contribute significant value to the land and permanent easement areas. The permanent easement areas generally encumber land that is utilized for a combination of agriculture and rural residential homesites. The position of the easements along the front of the encumbered parcels does not affect the overall utility of the parcels to support the present use. The easement areas contribute to the value of the entire water system in that the areas are necessary to support the operation of the water system. The contributory value of the permanent easement areas is based on a percentage of the value of the fee estate of the land that is encumbered by the easement areas. Therefore, the highest and best use of the land owned in fee simple title, license agreements and the permanent easement areas is the present use for support of all improvements and tangible assets within the water distribution system. The present use would return the highest present value, and there is no other use of the land or easements that provide for a higher return of value.

The majority of the water system is situated on existing road right-of-way and is allowed by Grant of Right-of-Way and Blanket Permits. These areas are necessary to support the water

## **HIGHEST AND BEST USE (cont.)**

### As Presently Improved (cont.)

system, and the highest and best use would be for the continuation of the existing use for road right-of-way allowing for utility lines within the right-of-way area.

## **APPRAISAL PROCESS**

There are three classic approaches to value:

In the Cost Approach, the appraiser estimates the cost of replacing the physical improvements new as of the valuation date. Then by comparing the cost new of improvements with the existing improvements, an estimate of accrued deterioration and obsolescence is developed. The net difference is considered to represent the depreciated value of the improvements. An estimate of land value as if vacant is derived by comparison with sales of reasonable alternative sites, and the total contributory value of these two estimates represents the indication of value by the Cost Approach. The land value component for this appraisal includes the parcel owned in fee simple, license agreements and contributory value of the permanent easement areas.

In the Sales Comparison Approach, an estimate of value is developed by comparing recent open market sales of reasonable alternative properties to the subject to develop an indication of value by direct comparison. The most meaningful and useful common denominators of comparison include (1) the gross income multiplier, which is derived from the sale transaction by dividing the sale price by the gross income to develop a constant ratio which is used to translate the subject's gross income into value, and (2) the sale price per unit base, among which the most common is the sale price per unit of building or land area. The ratio is developed from comparable sales by dividing the total sale price by the gross area of the building or land, and after consideration is given to differences between the properties, the adjusted unit price is applied to the subject's total building or land area. The unit sale price that provides the most consistent comparison for this appraisal is the sale price per customer or meter.

The Income Capitalization Approach: While the first two approaches concern themselves primarily with the past or at best the immediate present, the Income Approach measures the future benefits of ownership. A clear and natural relationship exists between income and monetary benefits of ownership and the investment risk rate.

In the valuation of real estate it becomes necessary then to establish, by comparison with competitive properties, a stabilized gross potential market rent, and then subtract all known and anticipated fixed and variable operating expenses to derive a net income attributable to the real estate. An appropriate overall capitalization rate is extracted from market sale transactions or from other techniques, such as mortgage-equity or debt coverage ratio, which approximate decisions of potential purchasers of comparable real estate based on anticipated income. The

### **APPRAISAL PROCESS (cont.)**

appropriate overall rate is used to translate the net income or benefits of ownership into a value estimate.

The independent approaches derived from their specific viewpoints are then reconciled into a final value estimate giving full weight and consideration to the strengths and weaknesses inherent in each technique with respect to the subject property.

The Income Capitalization Approach was not completed for this appraisal report. The subject property is not sold based on potential income from rent payments. The capitalization of net income from operations attributable to real estate could be a viable method for applying the Income Approach to a special use property comparable to the subject property. The subject property water system has been operated on a not-for-profit basis, and there is not adequate information available concerning potential income and expenses for a profitable operating system in order to apply this approach to value. The Income Approach would not provide a reliable indication of market value for the subject property. The approach is not necessary to provide a credible estimate of market value, and the non-consideration of this approach does not affect my final opinion of market value of the subject property.

## **COST APPROACH**

The Cost Approach involves four basic steps being, 1) estimate the value of the land as if vacant and available for utilization to its highest and best use, 2) estimate the total cost of replacing or reproducing the improvements, 3) estimate depreciation from all causes and subtract the total depreciation from the cost new estimate resulting in a depreciated value of the improvements, and 4) add the estimated land value and depreciated value of all improvements resulting in a value estimate by the Cost Approach.

### Sales Comparison Approach for Land and Permanent Easement Value Contribution

A comprehensive study was made of land sales which have occurred in the subject neighborhood. The subject property water system runs through and along land that is being utilized for a combination of agriculture, rural residential homesites and railroad right-of-ways in unincorporated areas and small site residential and non-residential properties within Village limits. Therefore, the parameters for researching land sales comparable to the land near the water system include wide variations in land size as well as use potential. There have been several sales of sites comparable to properties along the subject water system located in the subject neighborhood during the past year. There have been nine sale properties selected from all available sale transactions for analysis in this approach. Four of the sale properties are located within the subject neighborhood and five are located in adjoining townships along the neighborhood boundaries, but all sale properties selected are in the same general market area. The properties are considered as the most comparable to the properties along the water system in terms of location, physical characteristics and highest and best use potential. All information of the sale transactions and properties was confirmed by principals involved in the sales or courthouse records and at-site inspections. All of the sale transactions are conventional cash to the seller unless alternate terms are specifically described for the sale property.

The following pages of this report include descriptions of the sale properties, summary of the sale transactions and a qualitative comparison with the subject property location in order that estimates of land value for the parcels owned in fee simple title and permanent easement areas can be made using this technique. The best method of comparison within this approach is of the unit sale price per acre.

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 1: NE Corner – 100 E. Rd. & 3150 N. Rd., Sec. 8, Reading Twn., Livingston Co., IL**

**Date of Sale:** October, 2014

**Legal:** SW ¼, NW ¼ of Section 8, T.30N., R.3E., 3<sup>rd</sup> P.M.  
T.P.N. 01-01-08-100-002

**Recording:** Document No. 631713 (Trustees Deed)

**Grantor:** L. & S. McStouts Revocable Living Trust

**Grantee:** Jerry & Renee Moritz

**Description:** Level to gently rolling tract of agriculture land with one-half mile of road frontage. The parcel is rectangular shaped, is 95% open and tillable and has an average Productivity Index of 137.

**Zoning:** "AG" - Agriculture

**Sale Price:** \$480,820

**Site Size:** 41.45 Acres

**Sale Price Per Acre:** \$11,600

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 2: South Side – 1900 N. Rd., Sec. 17, Nebraska Township, Livingston Co., IL**

**Date of Sale:** January, 2015

**Legal:** Part NE ¼ of Section 17, T.28N., R.3E, 3<sup>rd</sup> P.M.  
T.P.N. 13-13-17-200-009

**Recording:** Document No. 627381 (Warranty Deed)

**Grantor:** Timothy & Joan Gensler

**Grantee:** Bigfoot Ranch, LLC

**Description:** Level to gently rolling agriculture tract of land with one-fourth mile of road frontage. The parcel is “L” – shaped, is 97% open and tillable and has an average Productivity Index of 128. A deep waterway runs east-west through the site.

**Zoning:** “AG” - Agriculture

**Sale Price:** \$1,293,820

**Site Size:** 117.62 Acres

**Sale Price Per Acre:** \$11,000

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 3: SW Corner – E. 10<sup>th</sup> Rd. & N. 4<sup>th</sup> Rd., Groveland Township, LaSalle Co., IL**

**Date of Sale:** January, 2015

**Legal:** Part NE ¼ of Section 15, T.29N., R.2E., 3<sup>rd</sup> P.M.  
T.P.N. 37-15-202-000

**Recording:** Document No. 2015-02201 (Warranty Deed)

**Grantor:** Justin & Rachel Durdan

**Grantee:** D. Allenmang

**Description:** Level to rolling agriculture tract of land with a total of three-fourths mile of road frontage. The parcel is irregular shaped, has 85% of open and tillable land and an average Productivity Index of 129. The Point Creek runs through the site in an east-west direction.

**Zoning:** “A-1” - Agriculture

**Sale Price:** \$901,009

**Site Size:** 100.40 Acres

**Sale Price Per Acre:** \$8,974

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 4: SW Corner – State Route 18 & E. 6<sup>th</sup> Rd., Hope Township, LaSalle Co., IL**

**Date of Sale:** April, 2015

**Legal:** Part NE ¼ of Section 36, T.31N., R.1E., 3<sup>rd</sup> P.M.  
T.P.N. 30-36-200-000

**Recording:** Document No. 2015-09019 (Warranty Deed)

**Grantor:** Donald Meinhold, etal.

**Grantee:** L. Kannberg

**Description:** Level to gently rolling tract of agriculture land with a total of one mile of road frontage. The site is rectangular shaped, is 97% open and tillable and has an average Productivity Index of 132. The site is located one mile east of an Interstate 39 interchange.

**Zoning:** “A-1” - Agriculture

**Sale Price:** \$1,736,000

**Site Size:** 152.0 Acres

**Sale Price Per Acre:** \$11,421

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 5: South Side – N. 14<sup>th</sup> Rd., Sec. 27, Richland Township, LaSalle Co., IL**

**Date of Sale:** June, 2014

**Legal:** W 1/2, E 1/2, NW 1/4 of Section 27, T.31N., R.2E., 3<sup>rd</sup> P.M.  
T.P.N. 31-27-103-000

**Recording:** Document No. 2014-12624 (Warranty Deed)

**Grantor:** M. Killian, etal.

**Grantee:** Randall & Janis Warner

**Description:** Mostly level to very gently rolling tract of agriculture land with one-eighth mile of road frontage. The parcel is rectangular shaped, 98% open and tillable and has an average Productivity Index of 143. A waterway runs through the parcel in an east-west direction.

**Zoning:** "A-1" - Agriculture

**Sale Price:** \$508,000

**Site Size:** 40.0 Acres

**Sale Price Per Acre:** \$12,700

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 6: South Side – 1900 N. Rd., Sec. 18, Nebraska Township, Livingston Co., IL**

**Date of Sale:** May, 2015

**Legal:** Part NW ¼, NE ¼ of Section 18, T.28N., R.3E., 3<sup>rd</sup> P.M.  
T.P.N. 13-13-18-100-004 (Div.)

**Recording:** Document No. 634312 (Executor's Deed)

**Grantor:** Silas Hofmann Estate

**Grantee:** Jeffrey Vissering

**Description:** Mostly level tract of agriculture land which was divided from a larger parcel and has one eighth mile of road frontage. The tract is irregular shaped, 98% open and tillable and has an average Productivity Index of 131.

**Zoning:** "AG" - Agriculture

**Sale Price:** \$187,500

**Site Size:** 18.61 Acres

**Sale Price Per Acre:** \$10,075

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 7: South Side – 2550 N. Rd., Sec. 11, Amity Township, Cornell, Illinois**

**Date of Sale:** November, 2014

**Legal:** Part Lot 2, Block 1 of SE ¼ of Sec. 11, T.29N., R.4E., 3<sup>rd</sup> P.M.  
T.P.N. 08-08-11-401-003

**Recording:** Document No. 631538 (Trustees Deed)

**Grantor:** First Financial Bank Trust

**Grantee:** Frank Erschen

**Description:** Level to gently sloping, inside tract of land that has frontage and access along 2550 North Road. The parcel is irregular shaped and contains a total of 1.06 acres. The tract adjoins residential and agriculture sites.

**Zoning:** Residential

**Sale Price:** \$18,720

**Site Size:** 1.06 Acres

**Sale Price Per Acre:** \$17,660

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 8: 1314 Coalville Road, Sec. 3, Reading Township, Streator, IL**

**Date of Sale:** December, 2014

**Legal:** Lot No.'s 1, 2 & 3 in Block 4, Richard Evans Add.  
T.P.N. 01-01-03-227-010

**Recording:** Document No. 631886

**Grantor:** Regions Bank Trust

**Grantee:** Michael Vagasky

**Description:** Level to sloping, inside tract of land, which includes 180 feet of frontage and access along Coalville Road. The site is rectangular shaped, has a depth of 150 feet and contains 27,000 square feet or 0.62 of an acre.

**Zoning:** "RA" - Rural Residential

**Sale Price:** \$6,000

**Site Size:** 0.62 Acres

**Sale Price Per Acre:** \$9,677

**COST APPROACH – LAND VALUE ESTIMATE (cont.)**



**Sale 9: 2006 Coalville Road, Sec. 3, Reading Township, Streator, IL**

**Date of Sale:** June, 2014

**Legal:** Lot No.'s 3 & 4 in Block 2 of Mallory's Addition  
T.P.N. 01-01-03-276-007

**Recording:** Document No. 629397 (Warranty Deed)

**Grantor:** James Wolfe

**Grantee:** Donald & Patty Long

**Description:** Level to gently sloping, inside tract of land, which includes 67.7 feet of road frontage. The parcel is irregular shaped, has an average width of 75 feet, depth of 297 feet and contains 22,230 square feet or 0.51 of an acre. The tract is a residential lot.

**Zoning:** "RA" - Rural Residential

**Sale Price:** \$8,000

**Site Size:** 0.51 Acres

**Sale Price Per Acre:** \$15,686

COST APPROACH - LAND VALUE ESTIMATE (cont.)

Comparable Sale Summary Grid

Property Item	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9
Sale Price Per Acre	\$11,600	\$11,000	\$8,974	\$11,421	\$12,700	\$10,075	\$17,660	\$9,677	\$15,686
Property Rights	Fee	Fee	Fee	Fee	Fee	Fee	Fee	Fee	Fee
Financing	CNV.	CNV.	CNV.	CNV.	CNV.	CNV.	CNV.	CNV.	CNV.
Conditions of Sale	A/L	A/L	A/L	A/L	A/L	A/L	A/L	A/L	A/L
Date of Sale	Oct.-14 NA	Jan.-15 NA	Jan.-15 NA	Apr.-15 NA	Jun.-14 NA	May-15 NA	Nov.-14 NA	Dec.-14 NA	Jun.-2014 NA
Adjusted Sale Price Per Acre	\$11,600	\$11,000	\$8,974	\$11,421	\$12,700	\$10,075	\$17,660	\$9,677	\$15,686
Location	Average	Average	Average	Average	Average	Average	Average	Average	Average
Size (Acres)	41.45	117.62	100.40	152.00	40.00	18.61	1.06	0.62	0.51
Use Potential	A.	A.	A.	A.	A.	A., R.	R.	R.	R.
Physical Characteristics	Average	Average	Below Av.	Average	Above Av.	Average	Average	Below Av.	Average

Legend: NA-No Adjustment; CNV.-Conventional; A/L-Arms Length; Av.-Average; A.-Agriculture; R.-Rural Residential

The Summary and Unit Value Estimate begins on the following page of this report.