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**MUSKINGUM
WATERSHED
CONSERVANCY DISTRICT**

BOARD OF APPRAISERS

Meeting at
MWCD ANNEX BUILDING
Wednesday, August 9, 2023, 10:00 a.m.

- 1) **ROLL CALL**
- 2) **APPROVAL OF MINUTES**
- 3) **INTRODUCTION OF VISITORS AND PUBLIC COMMENT**
- 4) **BUSINESS**
 - 4.01 2023 Cottage Site Reappraisal Proposals
 - 4.02 Other Business
- 5) **EXECUTIVE SESSION (if needed)**
- 6) **ADJOURN**

The next meeting of the Board of Appraisers will be scheduled as necessary.

MISSION STATEMENT

Responsible stewards dedicated to providing the benefits of flood reduction, conservation and recreation in the Muskingum River Watershed.

**SUMMARY OF MINUTES
BOARD OF APPRAISERS
MUSKINGUM WATERSHED CONSERVANCY DISTRICT
Held at the MWCD Annex Building
July 11, 2023, 2:30 p.m.**

A meeting of the Board of Appraisers of the Muskingum Watershed Conservancy District was held at the MWCD Annex Building, 2050 Reiser Avenue SE, New Philadelphia, on Tuesday, July 11, 2023, at 2:30 p.m., pursuant to notice duly given all Appraisers and the general public in accordance with law.

Appraisers present were Mr. Gary Barker, Mr. John Ginikos and Mr. Mark Waltz. Mr. Waltz, chairman, presided.

Mr. Gary Barker was appointed to the Board of Appraisers by the Board of Directors on May 19, 2023. This was his first meeting on the Board.

Present from MWCD staff were Julie Bickis, Craig Butler, Jamie Carlisle, Jim Crandall, Brad Janssen, Dave Lautenschleger, Nate Wilson, and Ethan Zucal.

Approval of Minutes

On motion by Mr. Ginikos, seconded by Mr. Waltz, the minutes of the February 16, 2023, meeting of the Board of Appraisers, were approved. Mr. Barker abstained.

Introduction of Visitors and Public Comment

There were no visitors attending this meeting.

The following memo was read:

FROM: Craig Butler
SUBJECT: **Potential Land Acquisition—Willis Creek**

At the February 17, 2023, MWCD Board of Directors meeting, the Board of Directors approved a Resolution of Authorization to apply for and enter into a grant agreement for financial assistance for the Clean Ohio Green Space Conservation Program Round 17, NRAC District 14, through the Ohio Public Works Commission (OPWC). The award of this grant would be used by MWCD for the acquisition and preservation of approximately 600 contiguous acres of forest at Willis Creek.

The acreage, as shown on the attached map, is in Coshocton County, Linton Township, and is accessible via County Roads 7, and 410, and Township Roads 141 and 142. The acreage is directly adjacent to and connects MWCD Willis Creek property to the recently acquired 934 acres, as well as ODNR's Simco Wildlife Area. The acreage is currently owned by Ohio Franklin Realty, LLC, a subsidiary to American Electric Power (AEP).

The acreage consists of mostly wooded reclaimed land, ponds, wetlands, and streams. The acquisition of this property has numerous conservation, recreation, and public use benefits including water quality protection, hunting, trapping, fishing, hiking, bird watching, habitat enhancement and protection, storm water mitigation, preservation, economic and social benefits, and other passive recreation opportunities. By owning control of the surface rights, subject to Clean Ohio restrictions, the MWCD has multiple opportunities to implement recreation, forestry, and conservation measures in line with MWCD's mission, that would further enhance the preservation, conservation, and recreation of the property for the benefit of the public.

In addition, there is an existing trail located on the acreage as seen on the attached map. Onsite visits by staff revealed this trail is still intact and can add recreational value.

Since the February 17th Board of Directors meeting, MWCD and our partner, Western Reserve Land Conservancy (WRLC), attended the OPWC NRAC District 14 application scoring meeting in March of 2023. MWCD executed a

Purchase and Sale Agreement with WRLC, and most recently MWCD was awarded the grant to acquire the property.

As part of the grant application, a restricted appraisal was conducted by Mr. Brian P. Mociłnikar, Ohio Certified General Real Estate Appraiser #419931. A copy of this restricted appraisal is attached for reference.

It is recommended that the Board of Appraisers make a recommendation to the Board of Directors to accept the appraisal and acquire the property, contingent upon MWCD staff completing all appropriate due diligence and upon review and approval of all other associated documents by MWCD staff and legal counsel, all subject to MWCD's obligations under the Purchase and Sale Agreement with WRLC. *(Copies of attachments on file)*

On motion by Mr. Waltz, seconded by Mr. Ginikos, a recommendation to the Board of Directors to accept the appraisal and acquire subject property, contingent upon MWCD completing due diligence and obligations under the PSA, was approved.

The following memo was read:

FROM: Craig Butler
SUBJECT: **Potential Land Acquisition—Leesville**

Mr. Joe Mendes, Director of Camp Roosevelt-Firebird, and Agent for Tree of Peace, Ltd., an adjacent landowner at Leesville Lake, has offered to sell 2 parcels which comprise approximately 83 acres of mostly forested land, along with the physical improvements located on and about a 14.348-acre youth camp lease located on MWCD land, to MWCD.

The acreage, as shown on the attached map, is in Carroll County, Orange Township, and is accessible via Township Road 127 (Dublin Rd. SW). The acreage shares nearly 1-mile of property line with the MWCD. The physical improvements include a dwelling, dining hall/infirmary, barn, lodge/office, maintenance/garage, multiple cabins/guest cabins, water/sewage utilities, bathhouse, archery shed, and other recreational improvements. The property is currently operated for camp recreation, conservation, and forest management. Research shows the minerals were previously reserved and are held by an existing oil and gas lease. The reservation includes prohibition for any surface use.

Mr. Gil Snyder of the Charles G. Snyder Company was contracted to conduct an appraisal of the current value of the property, exclusive of minerals, and separately, an appraisal of the current value of the physical improvements.

MWCD staff has viewed the property. The acquisition of this property has strong water quality and conservation components since the property is mostly forested and the watershed drains directly to Leesville Lake. In addition, the acquisition of this property has recreation potential for trails and other recreational amenities. By owning control of the surface rights and improvements, the MWCD has additional water quality protection, and multiple opportunities to implement measures that would be in line with our mission.

At the May 19, 2023, MWCD Board of Directors meeting, the Board of Directors authorized staff to proceed with negotiating an appropriate purchase agreement and amendment to youth camp lease, contingent on review of the appraisal by the MWCD Board of Appraisers and final documents reviewed and filed by Legal Counsel. It is recommended that the Board of Appraisers review and confirm the appraisals, so that staff can move forward to purchase and closing as authorized by the Board of Directors, contingent on final documents reviewed and filed by Legal Counsel. *(Copy of map on file)*

On motion by Mr. Ginikos, seconded by Mr. Waltz, a recommendation to the Board of Directors to accept the appraisals and acquire subject property, contingent upon MWCD completing due diligence and obligations under the PSA, was approved.

The following memo was read:

FROM: Bradley P. Janssen

SUBJECT: **2023 Cottage Site Reappraisal Proposals**

In 2021, the MWCD Board of Directors (BOD) requested staff, in conjunction with the MWCD Board of Appraisers (BOA), to begin the process of evaluating the next cottage site reappraisal, with a potential focus on increased frequency of appraisals, at reasonable expense, adhering to the current rate adjustment lease provisions, to meet the future asset/rate of return goals of the MWCD.

Initial discussions were held with the MWCD BOA. In September of 2021, the BOA drafted a memo to MWCD staff and Executive Director. The memo summary, in part, is as follows:

“The cottage lease sites have not been appraised since 2013. Recognizing the vital nature of current and representative values for MWCD’s assets, and at the request of the MWCD Board, the BOA has explored the means through which to accomplish the task of reappraisal.

The purpose of this exercise was to explore whether the ground rent capitalization approach could potentially provide a reasonable means through which to update the appraised value of the leased fee interest in MWCD’s cottage lots. We have applied a test of reasonableness (TOR).”

Under the ground rent capitalization methodology, a market-derived capitalization rate is applied to the ground rent of the subject property. Market-derived capitalization rates are used to convert ground rent into market value:

Site Value = Income to the Land/Land Capitalization Rate, or
Land Value (V) = Annual Income (I)/Rate of Return (R)

The TOR indicated values that appear to be reasonable compared to 2013 appraised values, as well as inflation and/or appreciated values, and the ground rent approach appears reasonable and could work. The BOA recommended that MWCD consider presenting it to a third-party appraiser.

In 2022, MWCD staff worked with the BOA to draft and finalize a scope of work and subsequent letter request for interest in submitting a scope of work/proposal for cottage site lot reappraisal to be conducted in 2023.

The letter request included the background and intended user; an overview of criteria for consideration for intended use including evaluation of a ground rent capitalization methodology; confirmation of the TOR; recommendation and support for a ground rent cap rate(s); review of findings in relation to MWCD current rate setting process and/or future asset goals/rate of return goals; presentation of findings and recommendations to MWCD; assistance with education/outreach to cottage site lessees; and assistance to MWCD with implementation.

Letters were mailed to eight prospective third-party appraisers in January of 2023. Of the eight third-party appraisers, three responded with interest in submitting, three responded not interested in submitting, and two were unresponsive.

Additional informational discussions were held with the three interested parties in April-May of 2023. Ultimately two parties submitted proposals to MWCD: 1) Charles G. Snyder Company of New Philadelphia, Ohio, and 2) Spalding/Emig Company of Kent, Ohio. These proposals are attached for reference. It is the intent to review and discuss the proposals so that the Board of Appraisers can make a recommendation to the Board of Directors to accept one proposal to move forward with the cottage site reappraisal process in 2023. *(Copies of attachments are on file)*

On motion by Mr. Ginikos, seconded by Mr. Waltz, the MWCD Board of Appraisers agreed that subject proposals need further discussion before a recommendation can be made to the MWCD Board of Directors.

Other Business

Dave Lautenschleger updated the Board regarding a potential land swap in the Chippewa Subdistrict which Boris Slogar had discussed with the Board at the February 16, 2023 meeting. MWCD has been discussing with the Medina County Park District (MCPD) about trading a 13-acre MWCD owned tract for a 4-acre MCPD owned tract. MCPD will need to give public notification of the land swap in case other governmental entities are interested in acquiring the land. Appraisals and sale documentation are still being gathered and due diligence is still ongoing. Dave Lautenschleger advised that at a later date these materials and a memo would be presented to the Board of Appraisers. *(Maps of the tracts are on file)*

Adjourn

There being no further business, on motion by Mr. Ginikos, seconded by Mr. Waltz, the meeting of the Board of Appraisers was adjourned. The next meeting of the Board of Appraisers will be held on Wednesday, August 9, 2023 at 10am at the MWCD Annex building located at 2050 Reiser Ave. SE, New Philadelphia, OH 44663.

07.13.2023, jlc



MEMORANDUM

August 9, 2023

TO: Board of Appraisers
FROM: Bradley P. Janssen
SUBJECT: 2023 Cottage Site Reappraisal Proposals

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Bradley P. Janssen
Chief of Natural Resources and Land Management

attachments

May 1, 2023

Bradley P. Janssen
Chief of Conservation
Muskingum Watershed Conservancy District
1319 Third Street NW
New Philadelphia, Ohio 44663

Mr. Janssen:

As a follow-up to our April 27, 2023 meeting, I am formally submitting our quote to complete the appraisal work sought by MWCD.

I propose a fee equal to the previous fee of 2013, \$95,000. As a source of comparison, the fee of \$95,000 CPI adjusted to pre covid February 2020 would be \$105,000 and March 2023 reflecting \$122,800. The \$95,000 provides for a completion date no later than November 1, 2023. Per your letter of January 19, 2023 the fee includes a determination of market rates for the over 1,200 cottage sites across the eight separate MWCD lake properties. This takes into consideration our prior 1998 and 2013 appraisals which have set forth a strong groundwork of understanding of the properties as well as the needs of the district historically and moving forward.

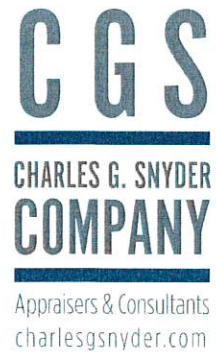
Future fees are difficult to ascertain and would use the 2023 valuation as a starting point for reevaluations. Ultimately the fee required would depend upon the number of years between the present and future analyses.

I await your response and look forward to the opportunity to serve and represent MWCD again.

Respectfully submitted,



Charles G. Snyder, RM, MAI
Charles G. Snyder Company LLC
Ohio General Certified Appraiser #379186



June 12, 2023

Bradley P. Janssen
Chief of Conservation
Muskingum Watershed Conservancy District
1319 Third Street NW
New Philadelphia, Ohio 44663

Mr. Janssen:

As a follow up to my letter dated May 1, 2023, I offer the following elaboration. MWCD's January 19, 2023 letter includes an "Overview of Criteria for Consideration for Intended Use" is comprised of 10 bullet points which identify the needs of the District regarding the applicable rental rates for the Cottage Site Leases.

The appraiser acknowledges and agrees that if selected as the consultant, the reports provided will at a minimum address the identified factors. My proposal is to offer a series of observations.

Intended Methodology

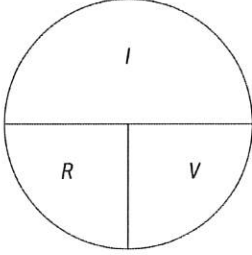
1. Determine the value of the respective sites by applicable tier utilizing improved sale abstraction techniques in order to determine the residual value of the underlying comparable site. In addition, utilize tier appropriate vacant land sales as discovered and deemed valid. These two techniques will become the foundation of the Cottage Site lot value(V)
2. Based upon the indicated lot value by tier and the existing lease payment, what is the current rate to the land (RL)? Is it above, below or equal to District expectations?
3. Based upon the indicated lot value by tier and using the required RL, what is the *revised lease payment (I)*?

With respect to the test of reasonableness (TOR), the consultant will take into consideration the seven bullet points in arriving at the *leased fee* valuation interest. In order to better understand the valuation methodology, I offer the following: the *leased fee* value is the byproduct of lease *payment*, *rate of return*, and *value* which is determined mathematically in the expression of the appraisal acronym *IRV = Income, Rate, Value*.

The basic formulas for direct capitalization are

$$I = R \times V \quad R = \frac{I}{V} \quad V = \frac{I}{R}$$
$$V = I \times F \quad I = \frac{V}{F} \quad F = \frac{V}{I}$$

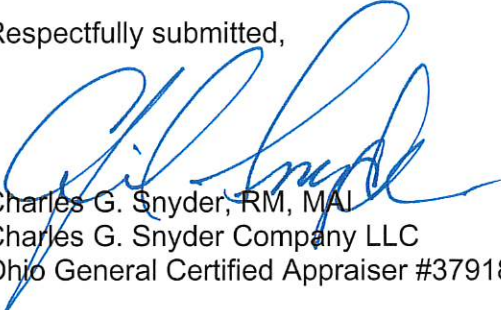
where *I* is income, *R* is capitalization rate, *V* is value, and *F* is factor.



In order to develop the *leased fee value*, if two of the three factors are known then the unknown can be solved. For example; hypothetically, if a current Cottage Site Lease is \$5,000 annually (*I*), and the required rate of return is 4 percent (*R*), the indicated leased fee value (*V*) is \$125,000.

Alternatively, if the determined *leased fee value* is \$200,000 (*V*) and the required rate of return is 4 percent (*R*), the new Cottage Site Lease would be \$8,000 annually (*I*).

Respectfully submitted,



Charles G. Snyder, RM, MAI
Charles G. Snyder Company LLC
Ohio General Certified Appraiser #379186

Spalding/Emig Company

real estate appraising and consultation

Aaron J. Emig, MAI
John W. Emig, MAI
Ann M. Rutledge, MAI, SRA
Catherine Martin
Cynthia S. Kennedy
Michael Harris

May 30, 2023

Mr. Bradley P. Janssen
Chief of Natural Resources and Land Management
Muskingum Watershed Conservation District
1319 Third Street NW
New Philadelphia, Ohio 44663

VIA EMAIL: bjanssen@mwcd.org

Dear Mr. Janssen:

It was a pleasure speaking to you regarding the Cottage Site Lot Appraisal opportunity for the Muskingum Watershed Conservation District (MWCD). I have reviewed the scope of work, which I have attached to this proposal. I understand that the MWCD is seeking to implement a capitalization rate methodology in order to estimate the value of the leased fee interest in the cottage sites. The capitalization methodology will also allow the values to be updated more easily in the future. The appraisal will include a value for the leased fee interest subject to in-force ground leases for each of the 17 lease class rates. Support for the appropriate capitalization rate for each class rate will be based upon sales of other ground-leased properties and a band-of-investment methodology. As capitalization rates are a function of risk, the capitalization rates will also take into consideration the lengths of the leases, desirability of the lots, rental rates in comparison to market levels, etc. For properties not operating at current market levels, we will provide separate values for these sites taking into consideration the length of the lease and the current lease rate. **Our fee for completing this leased fee analysis will not exceed \$45,000.**

We also understand that the district would like to have the values updated on an annual basis. **We estimate the annual cost to update the valuation annually to be in the range of \$10,000 to \$15,000 per year, depending on the extent of any changes to the lease rates and classifications.** This rate would apply to the first five (5) years of renewal with a determination of fees beyond the five-year period to be set after the fifth year.

We also discussed the possibility of providing a separate analysis for the fee simple interest in the lots. **Should the district require estimates for the fee simple interest in the lots, an additional cost of \$25,000 would apply.**

We would endeavor to have the appraisal completed within 4 - 6 months of engagement. We would request a retainer of \$15,000 (35%) to begin work on the assignment. Payment is due within 30 days of report completion. A late fee of 1.5% per month will apply after 30 days.

Spalding/Emig Company

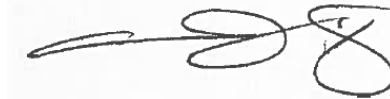
real estate appraising and consultation

Aaron J. Emig, MAI
John W. Emig, MAI
Ann M. Rutledge, MAI, SRA
Catherine Martin
Cynthia S. Kennedy
Michael Harris

If you wish to proceed with this proposal, please acknowledge acceptance of these terms by signing and dating below, retaining a copy for your records and returning a copy to my attention with the retainer. Additionally, please do not hesitate to contact us with any additional questions you may have regarding our services.

Sincerely,

SPALDING/EMIG COMPANY



Aaron J. Emig, MAI
aemig@spaldingemig.com

AJE/mcl

Authorized Signature

Date