



MWCD Cottage Site Lot Reappraisals - Explained

In 2024 MWCD reevaluated its process and ultimately completed a review of our property which your cottage/home sits upon. We promised that once this review was complete, we would provide you not only the results of this review, but be transparent and available to discuss the rationale, methodology, and outcomes.

This fact sheet presents some of the questions we have received, with detailed answers. We have scheduled several opportunities to answer your questions both in-person and online.

Webinar: Thursday, March 14, 2024, at 7:00 p.m. To access the webinar, visit mwcd.org/webinar.

Annual Cottage Site Lessee Meetings:

Saturday, April 13, 2024, from 9:30am-11:30am

Kent State University, Tuscarawas Campus
Science and Technology Building, Room ST-107/113
330 University Dr. NE, New Philadelphia, OH 44663
Parking will be available in Lots A or B

Saturday, April 20, 2024, from 9:30am-11:30am

Pleasant Hill Activity Center
3431 State Rt. 95
Perrysville, OH 44864
www.mwcd.org

What is an appraisal?

An appraisal is an opinion of value. In the case of MWCD cottage site lots, it is the opinion of value of the land lot only.

Has MWCD conducted appraisals in the past?

Previous appraisals of MWCD cottage site lots were completed in 1998 and 2013.

Why is a reappraisal needed?

There hasn't been an appraisal of cottage site values for over 10 years and the rate system itself is 20 years old. In the meantime, comparable property values have likely changed, and appraisal systems have changed and improved.

Consequently, MWCD completed the reappraisal to adhere to the lease provisions to ensure that cottage rent payments are "at market". It also ensures rent payments are fair to lessees, MWCD, and the public by accurately reflecting both the lots' value as well as MWCD's return on value and costs to maintain them.

What is the timeline for this appraisal?

The appraisal was completed on January 1, 2024. The MWCD Board of Directors accepted the Report for future lease rate adjustment determinations at the January 26, 2024, Board of Directors meeting.

What were the results of the appraisal?

There were several important findings from the Report including: a concluded capitalization rate of 5.00%; concluded leased fee interest values of \$65,400,000 (standard rents), \$63,500,000 (with legacy rent deduction), and \$59,400,000 (in-place rents); and a concluded fee simple interest value of \$93,300,000. These results indicate that values have increased significantly, rates overall are below market, and return on value has decreased. The new methodology also provided us with detailed information that allowed us to be more specific about where/if rates needed to be adjusted.

As you will see, while the aggregate value of our land increased significantly, rates should not be universally adjusted. This was accounted for as final rate adjustments were approved.

How did MWCD utilize these results?

MWCD utilized the results to analyze and compare rental rates to determine 2024 return on value. In this case, the 5% return that MWCD generally tries to achieve was validated as an appropriate goal by the study. We were also able to understand whether the rates were at market or below market value.

Staff were able to provide better information to the Board of Directors for their consideration, how or if they would apply any “discretionary adjustment” above CPI which is required in your lease agreement (i.e., 0-4%).

How does this affect me?

The January CPI is 2.90%. Adhering to Paragraph 2. a) of the lease, this adjustment will be made for 2024 cottage site rates.

Adhering to Paragraph 2. b) of the lease, discretionary adjustments will be made for 2024 for those rates that are overall below market. You will find specific information regarding adjustments to your rate in your annual packet which will be mailed at the beginning of March 2024. You will find that based on the value determined by the review, some rates will reflect a discretionary adjustment, whereas others will not.

Are there changes to my cottage site lease because of this process?

No.

What do you do with the money paid from the Cottage Site Leasing program?

The District receives no tax money from state or local governments, but needs to ensure rates are “at market”, meeting the return on value, and fairly compensated for the services provided. Unlike any other comparable ground rent leases reviewed, the District pays property tax on the land for any cottage site. This is a significant expense (approx. \$200,000) that is generally absorbed by the lessee, but MWCD continues to pay. In addition, surplus revenue is used toward administration and maintenance for cottage site lessees—for roads, snow removal, tree and limb clearing, etc. These costs can exceed \$500,000-\$750,000 or more on an annual basis. It’s important to fully cover these costs to keep them at a high level of quality and out of fairness to all visitors to our lakes and parks.

Who can I contact if I have any questions?

If you have questions, please contact **330-343-6647** or email lease@mwcd.org.

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