

To: Jeremy Martin, Planner
From: Kerry Leichtman, Assessor
Re: taxable valuation estimates, Tannery proposals
Date: 1/7/2021

You asked for valuation estimates for the proposals received for the Tannery property. I have done so but caution you that these numbers are estimates based on assumptions I have made by reading the plans and conducting some outside research. I have not spoken with any of the proposal's principals. I have done the best I can with very limited information.

Millville Apartments, Affordable Housing

The developer used 48-units for their expense projections in their proposal so my estimates are also based on a 48-unit development, broken down as in the proposal: 24, 1-bedroom; 14, 2-bedroom; and 10, 3-bedroom apartments. I have used the developer's high rents for these projections. That would be \$770, \$921 and \$1,054, respectively. I calculated the property value using the cost and income approaches.

I was able to use a project from the developer's previous experience to obtain realistic financial information. 48 Hampshire Street in Auburn was listed as a recent project in the Redevelopment Experience section of the proposal (page 17). Completed in 2020, the project is similar in size and scope to the Tannery proposal. I obtained the project's property information and portions of the planning board presentation from Auburn's assessor. Using 48 Hampshire Street, I extracted value per unit and operating expense information, applying a factor to compensate for the slight difference in project size: Camden's 48 units and Auburn's 53.

The Cost Approach: The land value, once developed, is \$208,400. Using a value per unit of \$55,536, the total building value is \$2,665,728. The total property value is \$2,874,128. At the current tax rate of .01503, the gross tax is \$43,198. The proposal calls for a 75:25 CEA TIF. The tax was then divided between the developer, \$32,399, and town, \$10,800.

The Income Approach: Gross rental income from the 48 apartments totals \$502,968. Subtracting 5% for vacancy and loss, the effective gross income is \$477,819. Expenses total \$281,600 yielding a Net Operating Income of \$196,219. Applying an 8% cap rate the value of the property is \$2,452,745.

Variables: Because the number of units in the two projects differs only by 5 units, I allowed the value per unit to be a constant. Multiplying the number of units by the value per unit established the buildings value in the cost approach. For income, dividing the Camden building value by the Auburn building value provided a difference factor of .9057. This factor was multiplied against the Auburn expenses to establish Camden expenses, which were deducted from the effective gross income to calculate Net Operating Income.

8% was chosen for the cap rate as it represents a middle ground insofar as risk is concerned. Adjusting the cap rate has a dramatic effect on value. Changing it to 7%, for example, yields a valuation of \$2,803,137, which differs from the cost approach value by only \$70,991. I do not have the information necessary to calculate an actual cap rate, but 8% provides a reasonable estimation.

Other Income: According to the proposal, the land will be purchased for \$85,000. The proposal mentions a \$1/year lease for the farmer's market.

Cranesport Industrial Eco-Village

The tax generating aspects of the Tannery Park proposal are 19 workshop spaces and a Barn-type building. The gathering and green spaces don't seem to have taxable assets other than the land itself.

Assessors are required to consider all three approaches to value on all property types. We eliminate approaches when they aren't applicable to a particular property. If we don't have sales of similar properties we don't use the sales approach, if the property doesn't generate income we don't use the income approach. We can almost always calculate by cost. That is the situation with Tannery Park.

The Cost Approach: Not knowing much about the workshops' amenities I used the base rate for Good Studio structures to calculate value: \$48/sf. Each 20x30 workshop was valued at \$21,600 and each 30x40 was \$57,600. Altogether the 19 workshops carry a value of \$921,600. I used Vision to determine the value of the Barn and its two wings: \$377,600. The combined valuation for buildings and land was \$1,514,700. The tax revenue was \$22,765.94.

Income Approach: My ability to use this approach to value is limited. Of the 19 workshops, 6 are 20x30 and 13 are 30x40. The proposal set their lease rate at \$6/sf. The annual income from the workshops was \$1,382,400. After deducting 10% for vacancy and loss the effective gross revenue was \$1,244,160.

That's as far as I can take the approach without venturing into outright speculation. I don't know the extent of the uses for the barn and how much income is expected from activities there. Nor do I know what events are anticipated for the main community gathering space or public square. I don't know how much of an expense or revenue would be attributed to operating an outdoor ice skating rink. I have no idea, or basis of comparison, to calculate operating expenses or cap rate – both are essential to determining value.

Therefore, as I wrote earlier, the cost approach can be relied on to give us the most reasonable value estimation: \$1,514,700.

Habitat For Humanity

The taxable aspect to this proposal are three affordable housing single-family homes. I placed all three homes on 10,000 sf lots with a 3-bed/1 bath house on two lots and a 4-bed/2-bath house on the third. I used homes from the affordable housing neighborhood at Beech Street, Lupine Lane and Glenfield Circle to serve as templates for the three at the Tannery site.

The land value for each home is \$49,600. The building value for each 3-bed/1-bath homes is \$165,000 and \$175,000 for the 4-bed/2-bath home. The taxable value for each home is \$214,600 and \$224,600 respectively. The combined tax revenue is \$9,827.